ZECOTEK PHOTONICS INC.

MANAGEMENT DISCUSSION AND ANALYSIS

For the Quarter Ended April 30, 2010

June 30, 2010

June 30, 2010

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the Company's interim unaudited financial statements for the nine months ended April 30, 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 April 30, 2010 as reported by the Bank of Canada, for the conversion of one Singapore dollar into Canadian dollars was $0.74.

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 and March 2010, 1,020,833 common share purchase warrants were exercised for total cash proceeds of $715,458. In April and June 2010, the Company received funds in the amount of $300,000 and $200,000 respectively towards a private placement which the Company expects to close in July 2010.

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)	April 30, 2010	January 31, 2010	October 31, 2009	July 31, 2009
Operating Accounts				
Revenue	$961	$35,177	$39,434	$96,072
Net loss	$1,659,518	$2,043,393	$1,473,746	$1,198,177
Balance Sheet Accounts				
Total Assets	$1,304,077	$1,403,275	$3,278,549	$1,245,276
Loss per share	$0.03	$0.04	$0.03	$0.03

Quarters ended (unaudited)	April 30, 2009	January 31, 2009	October 31, 2008	July 31, 2008
Operating Accounts				
Revenue	254,512	Nil	Nil	$135,620
Net loss	$1,101,770	$999,074	$1,317,929	$2,111,483
Balance Sheet Accounts				
Total Assets	$1,672,159	$2,184,027	$2,554,838	$3,550,940
Loss per share	$0.02	$0.02	$0.03	$0.05

Results of Operations

Revenue

Revenues amounted to $961 in the quarter ended April 30, 2010 compared with $254,512 in the same period in 2009, reflecting a decrease of 99.62%. For the nine months ended April 30, 2010, revenues decreased 70% to $75,572 from $254,512 in the same period in 2009. The Company provided product samples to different customers for testing purposes in 2010. Unlike the prior years, these samples are provided free of charge which resulted in decreases revenues in the current year. The Company anticipates restoring revenues once the testing is complete and products are accepted by the market. The revenues generated by the Company 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 third quarter of 2010 amounted to $350 on $961 of product sales for an average gross margin of 36% compared to 30% in the same period in 2009. For the nine months ended April 30, 2010, Gross Margin was $33,812 on $75,572 of product sales for an average gross margin of 45%; compared to 30% in the same period in 2009.

Interest Income
Interest income amounted to $0 in the quarter ended April 30, 2010, compared with $(3,802) in the same period in 2009, reflecting an increase of 100%. Interest income was negative in the third quarter of 2009 due to the adjustments made to previously accrued interest income. Interest income totaled $0 for the nine months ended April 30, 2010 and 2009.

Government Grants
In the quarter ended April 30, 2010, the Company received $0 in jobs credit from the Government of Singapore Inland Revenue Authority. The non receipt of grants in the third quarter is due to termination of jobs credit program by the government of Singapore. In the same period of 2009, the Company received $320,549 in government grants from the Singapore Economic Development Board. For the nine months ended April 30, 2010, total grants received were $15,239; a decrease of 99% when compared to $1,259,154 for the same period in 2009. The Company expects to receive approximately $183,700 ($250,000 SGD) in government grants from Singapore Economic Development Board in July 2010. The payments from the grants 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 $599,700 in the quarter ended April 30, 2010, compared with $649,702 in the same period of 2009, representing a decrease in costs of 8%. The decrease is due to the implementation of management's cost cutting measures including reduction of staff, rollbacks in salaries and consulting fees and cutbacks in operating expenses. Government grants reducing the operating, general and administrative expenses amounted to $0 for the quarter ended April 30, 2010 compared to $862 of the same period in 2009. In the first nine months of 2010, G&A expenses totaled $2,205,664; an increase in costs of 5% when compared to $2,107,754 for the same period in 2009.

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

1. Consulting and other professional fees – increased 23% from $174,201 to $214,513, primarily due to the addition of consulting fees related to corporate and operational activities.
   i. Legal fees – decreased from $38,936 to $13,007. The decrease is due to management's cost controlling measures and a temporary slowdown of company's corporate activities in quarter three.
   ii. Investor relations – decreased 21% from $18,000 to $14,273. The decrease is due to the reduction in investor related activities in quarter three of fiscal year 2010.
2. Insurance – increased 48% from $11,001 to $16,257, due to the addition of certain insurance policies.
3. Filing fees – increased 27% from $11,989 to $15,242 a result of increased activities in the third quarter of fiscal year 2010 as compared to fiscal year 2009.
4. Office and General – decreased 64% from $30,892 to $11,186 as a result of management's cost cutting steps. There were also certain non-recurring repairs and maintenance expenses incurred in quarter three of fiscal year 2009 which increased the Office and General expenses for that quarter.
5. Marketing and promotion – decreased 34% from $857 to $562 driven by an overall budget reduction on marketing.
6. Rent – decreased 23% from $124,255 to $95,193 as a result of the timing of the operating costs on the rental facilities and management's efforts negotiate rental contracts with vendors.
7. Salaries and benefits – decreased 7% from $258,362 to $239,087. The decrease is due to reduction of staff and rollbacks in salaries.
8. Travel – decreased 80% from $39,025 to $7,661 primarily due to a management's cost controlling efforts.

Research and Development Expenses
Research and development ("R&D") expenses amounted to $779,307 in the quarter ended April 30, 2010, compared with $(140,644) in the same period of 2009, representing an increase in costs of 654%. The increase is due to the delayed receipt of the Economic Development Board grant from Singapore and increased R&D

activities undertaken by the Company. The negative R&D expenses for the third quarter of fiscal year 2009 resulted due to excess government grants received when compared to the R&D expenses incurred in that quarter. Government grants reducing the research and development expenses amounted to $0 in the quarter ended April 30, 2010 and $397,015 for the same period in 2009. The total research and development costs before the funding through government grants total $ 779,307 in the quarter ended April 30, 2010 and $127,431 in the quarter ended April 30, 2009. For the nine months ended April 30, 2010, R&D expenses were $1,998,758 compared to $400,896 for the same period of 2009, reflecting an increase in costs of 399%. 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 April 30, 2010, amounted to $31,234 and for the nine months ended April 30, 2010, amounted to $185,257.

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 April 30, 2010, $717,990 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.

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

1. R&D research contracts – increased 1046% from $44,629 to $511,546 due to increased R&D activities undertaken by the Company in respect of its laser and imaging technology. The major contract expenses recorded are related to University of Washington ($267,908); JSC Centre – Telco ($106,159) and Inversion Fiber ($77,613).
2. R&D salaries – decreased 0.104% from $82,802 to $82,716.
3. R&D supplies – increased 100% to $90,616 from $0. The increase is as a result of Company's cost allocation to Cost of Goods Sold in 2009 year. Since there is no sales in the third quarter of year 2010, the R&D supplies cost was not allocated to Cost of Goods Sold. Thus, resulting in a 100% variance.
4. R&D Consulting – increased 100% to $21,023 from $0. The increase is due to the addition of consultants in 2010.
5. R&D Patents – increased 100% to $31,234 from $0. The increase is due to the change in Company's policy related to the recording of patents. Previously, the Company capitalized and subsequently amortized the patents. However, starting July 2009, the Company expenses the entire patent cost as incurred.

Stock-based Compensation

Stock-based compensation expenses amounted to $200,911 in the quarter ended April 30, 2010, compared with $486,322 in the same period of 2009, representing a decrease in costs of 59%. For the first nine months of 2010, stock-based compensation amounted to $610,547 compared to $552,970 for the same period of 2009, reflecting an increase in costs of 10%. 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 9 months ended April 30, 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 loss amounted to $10,251 in the quarter ended April 30, 2010, compared with $80,052 in the same period of 2009, representing a decrease of 87%. The decrease is due to impact of the foreign currency fluctuations. For the first nine months of 2010, foreign exchange loss totaled $54,061 compared to $148,837 for the same period of 2009, reflecting a decrease of 64%. 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 April 30, 2010 decreased to $62,699 from $85,400 in the same period of 2009, a decrease of 27%. The company for the first nine months of 2010 recorded an amortization expense of $182,469 compared to $256,197 for the same period in 2009, reflecting a decrease in costs of 29%. 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 April 30, 2010 decreased from $12,286 in the same period of 2009 to $7,000, a decrease of 43%. For the first nine months of 2010, the company recorded an amortization expense of $23,510 compared to $27,288 for the same period of 2009, reflecting a decrease in costs of 14%.The decrease is due to certain patents being written off during the fiscal year 2009 and the change in Company's policies of writing off patent cost as incurred.

Net Loss
The Company recorded a net loss of $1,659,518 or $0.03 per share in the quarter ended April 30, 2010 compared with $1,101,770 or $0.02 per share in the same period of 2009, an increase of 51%. A net loss of $5,176,657 or $0.10 per share was recorded in the first nine months of 2010 compared with $3,418,773 or $0.07 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 April 30, 2010, the Company has a net loss of $1,659,518 and negative cash flow from operating activities of $1,041,943 compared to the net loss of $1,101,770 and negative cash flow from operating activities of $445,945 for same period in 2009. As a result of recurring losses over the Company's history, the Company has accumulated deficit of $40,239,626 as at April 30, 2010. The accounts payable and accrued liabilities have increased by $47,885 in the quarter ended April 30, 2010 when compared to the most recent fiscal year of the Company. As at April 30, 2010 accounts payable and accrued liabilities amount to $1,763,322.

Net cash provided by financing activities in the quarter ended April 30, 2010 was $1,033,915 as compared to cash provided by financing activities of $11,405 for the same period in 2009. During the quarter, the financing activities consisted mainly of advances to related parties, repayment of obligations under capital leases, exercise of share purchase warrants and receipt of funds towards a near future private placement.

Net cash used by investing activities in the quarter ended April 30, 2010 was $1,754 as compared to cash provided in the amount of $286,929 for the same period in 2009. Grant reimbursement of $0 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 April 30, 2010 the Company had $57,602 in cash and cash equivalents, a decrease of $232,405 (141 %) over the $290,007 cash and cash equivalents available at April 30, 2009. The consolidated working capital was negative $1,986,132 at April 30, 2010, an increase of $1,294,749 over the negative $691,383 consolidated working capital at April 30, 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 during the quarter were mainly utilized for the operational requirements of the company in the normal course of business.

In February and March 2010, 1,020,833 common share purchase warrants were exercised for total cash proceeds of $715,458. In April and June 2010, the Company received funds in the amount of $300,000 and $200,000 respectively towards a private placement which the Company expects to close in July 2010.

Share Capital

Set out below is the outstanding share data of the Company as at April 30, 2010. For additional details, see Note 10 to the audited financial statements for July 31, 2009.

At April 30, 2010	Number outstanding
Common shares	53,405,004
Stock options	7,329,000
Common share purchase warrants	5,925,000
Agent’s warrants	415,700

Outstanding options represent a total of 7,329,000 common shares issuable. At April 30, 2010, 5,979,000 were exercisable and would provide proceeds of approximately $6,638,900 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 April 30, 2010 the Company had outstanding 5,925,000 common share purchase warrants which were exercisable at $1.00 expiring on October 23, 2011.

At April 30, 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 April 30, 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 April 30, 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
Rental leases	$ 39,742	$ 13,247	$ -
Research Contracts	501,312	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 April 30, 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 April 30, 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.