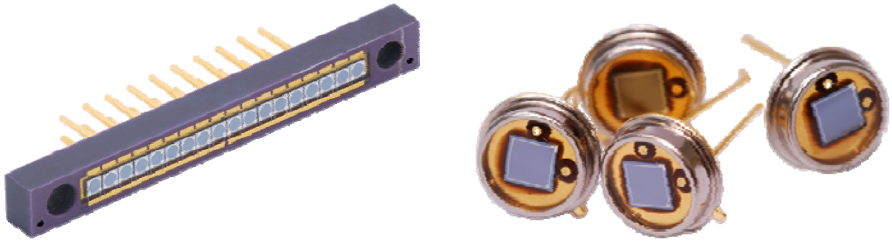
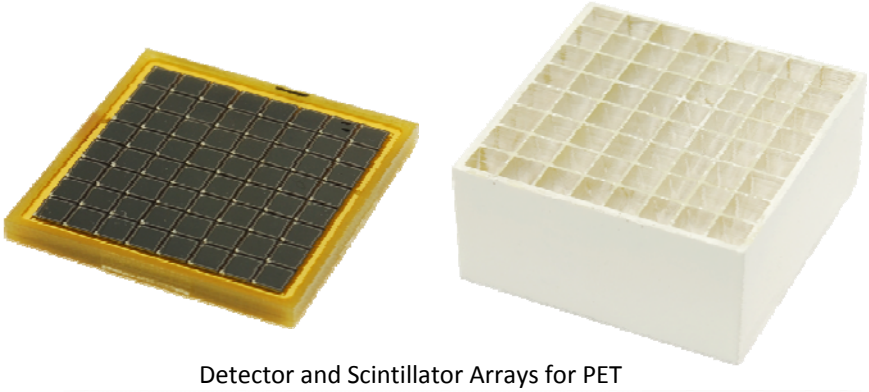
ZECOTEK

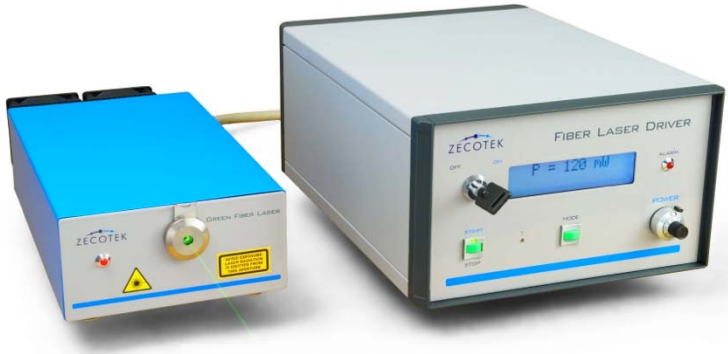
Zecotek Photonics Inc.



MAPD Photo-Detectors



Detector and Scintillator Arrays for PET



Visible Fiber Lasers

Management's Discussion & Analysis

For the year ended July 31, 2011

TSX-V:ZMS

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MANAGEMENT DISCUSSION AND ANALYSIS

November 28, 2011

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the Company's annual audited financial statements for the year ended July 31, 2011 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, 2011. 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 July 31, 2011 as reported by the Bank of Canada, for the conversion of one Singapore dollar into Canadian dollars was $0.7925.

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.

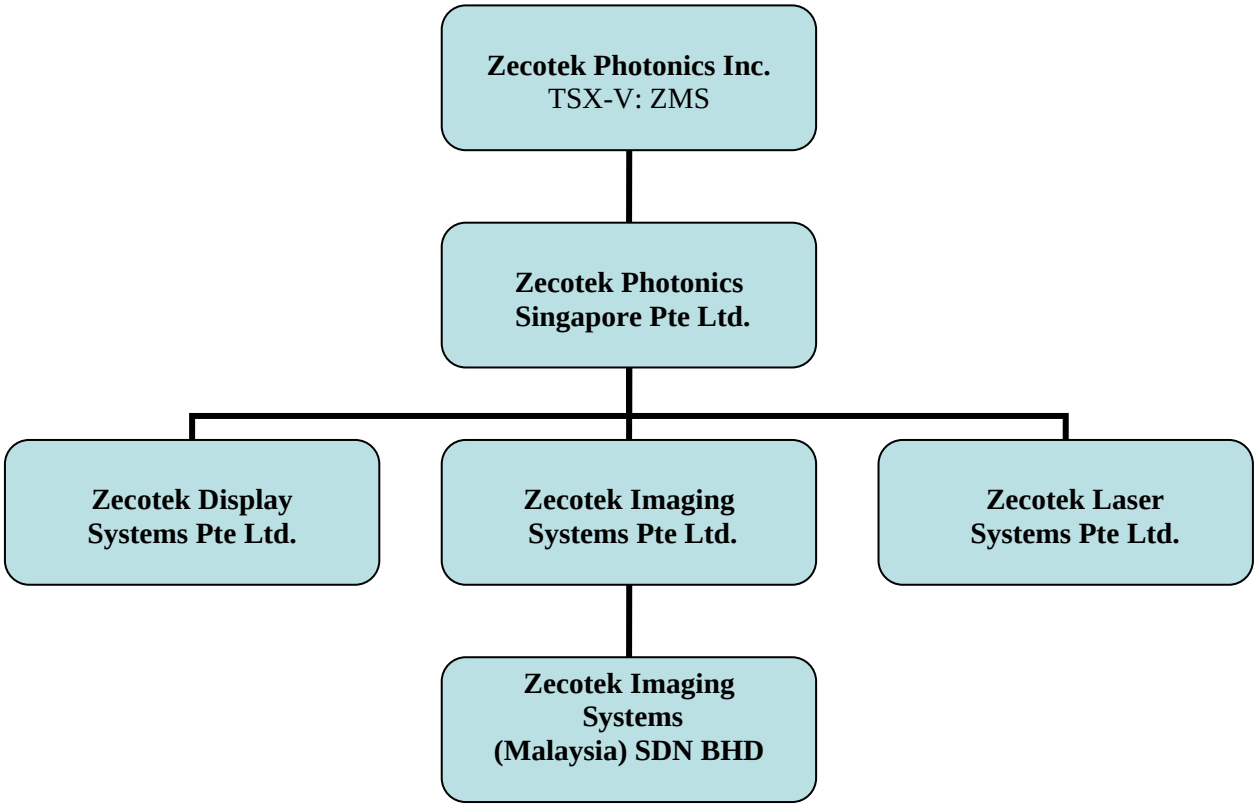
Company Overview

Zecotek Photonics Inc. develops leading-edge photonics technologies and products for commercial and research applications in many different markets: medical, bio-science, high-energy physics, pharmaceutical research, material processing, engineering and industrial design, multi-media and homeland security.
Founded in 2003, the Company has focused on building shareholder value by securing a strong intellectual property portfolio, completing the development of unique technologies for targeted markets and pursuing the optimum commercialization strategy.

Zecotek Photonics Inc. has three operational subsidiary companies: Zecotek Imaging Systems Pte Ltd. (ZIS); Zecotek Display Systems Pte Ltd. (ZDS); and Zecotek Laser Systems Pte Ltd. (ZLS). All of these subsidiary companies are incorporated in Singapore. Each one is autonomous, in the sense that each has its own patent portfolio and management team.

Zecotek's corporate headquarters is located in Vancouver, B.C. It 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.

Company Structure



Zecotek Imaging Systems Pte Ltd. (ZIS)
ZIS has research laboratory facilities in Singapore and Moscow, where it has developed its patented lutetium fine silicate (LFS) scintillation crystals and solid-state MAPD photo-detectors. It works in partnership with the University of Washington in Seattle, on the integration of PET/MRI for imaging and pharmaceutical research. The focus of the partnership is the integration of a compact design for imaging of specific organs while offering an ideal diagnostic modality.

The LFS crystal and the MAPD are central components for high-resolution PET scanners for medical diagnostics and treatment. They are also key devices to high energy physics experiments, specifically the Large Hadron Collider at CERN, Switzerland and the Linear Accelerator at Fermi Lab, USA. CERN and Fermi Lab have subcontracted ZIS to complete the development of a new version of ZIS's MAPD with specific parameters for their main new particle detection programs.

Zecotek Display Systems Pte Ltd. (ZDS)
ZDS scientists have developed and demonstrated a colour, 32-inch 3D display prototype that offers multiple viewers with true volumetric visualization while exhibiting depth and parallax without the use of external glasses. ZDS's Real-Time 3D2D Display is a novel, patented display system for the visualization of images and data, which has been developed in-house by Zecotek's scientific team and technical staff and does not rely on any licensed intellectual property. All intellectual property is owned and controlled by Zecotek. The Zecotek 3D display technology has been granted US and Australian Patents under PCT.

Based on the auto stereoscopic principle, but with patent pending innovation, it represents a new generation of 3D displays. It has the capability of simultaneously presenting to multiple users both 3D and 2D images on the same screen with separate views and at different viewing angles. Its design provides for multi-users, multi-views, 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 cost competitiveness at all stages of adoption and levels of application.

The 3D display system provides for viewing a volumetric representation without eye strain. The viewing of such 3D images does not require the use of any supplementary means such as glasses, does not drastically limit the position of the viewer with respect to the display, and allows simultaneous viewing of the 3D display by many viewers from a relatively wide field of view.

ZDS has a research laboratory in Richmond, British Columbia and works closely with the Dutch company Anteryon, BV to further the development of this glasses free, 3D technology.

Zecotek Laser Systems Pte Ltd. (ZLS)
ZLS has a joint laboratory with Inversion Fiber/Novolaser for the integration of tuneable fiber lasers in the visible spectrum. The tuneable visible fiber laser technology platform is now complete and lasers based on the platform have a large area of application in medicine, fundamental research, inspection and other industries. These lasers provide unique output wavelengths and wide tuning range and are specially suited for bio-medical applications using fluorescent techniques, such as gene sequencing, proteomics, scanning laser microscopy and flow cytometry. In these applications they can replace conventional laser types with sub-optimal wavelengths and provide a unified fiber laser platform covering the majority of the visible spectrum. Zecotek's tuneable fiber lasers are able to replace several units of different configurations and modes of operation conventionally used in bio-medical research equipment, such as flow cytometry machines used in pharmaceutical drug discovery. Zecotek technology and products have been endorsed by tests independently conducted by the U.S. National Institute of Health (NIH).

ZLS also has a joint laboratory with the University of Victoria, BC, for the development of thin film waveguide micro-lasers grown by the MBE deposition method. The objective of this technology is to provide an alternative way of laser media fabrication allowing for unique parameters impossible with traditional techniques and also allowing for the possibility of mass manufacturing processes analogous to those

extensively used in semiconductor industry. This will create new products encompassing both simple laser units and integrated devices with multiple components created in the same manufacturing process. Several active materials have been created and the general technology of MBE laser media developed in the framework of this project.

ZLS has focused its efforts on those lasers that have unique commercial, technical and value-added features and present less resistance to market entry.

Zecotek Key Product Summary

- Patented LFS family of advanced scintillation materials;
- Patent-pending MAPD solid-state high-sensitivity photo-detector;
- Patented and patent-pending DOI-enabled scintillation detectors for PET imaging;
- Patented and patent-pending Mini PET/MRI technology;
- Patented and patent-pending 3D/2D auto-stereoscopic multiple-view display;
- Patented and patent-pending widely tunable fiber lasers in the visible spectrum;
- Patent-pending thin-film waveguide laser technology.

Patent Portfolio

As a result of internal technology development, patent acquisitions and licensing partnerships, the Company's patent portfolio has continued to grow in numbers and technological diversity. As of November 16, 2011, Zecotek owned title to or controlled more than 55 patents and applications. The following table lists the key patents in Zecotek's patent portfolio.

Key Technology	Patent/App. No	Date Filed	Jurisdiction	Status
LFS scintillation crystals	7,132,060	21-07-05	US	Granted
	2242545	04-11-03	RU	Granted
	PCT/RU2004/000094	04-11-03	PCT, AU, CA, CN, EA, DE, FR, GB, IN, JP, NL	Granted
	1493/KOLNP/2006	12-03-04	IN	Pending
Semiconductor photo-detectors (MAPD)	2316848	01-06-06	RU	Granted
	PCT/RU2007/000287	31-05-07	PCT, AU, CA, CN, EP, IN, JP, KR, MY, SG	Pending
	12/034,603	20-02-08	US	Pending
	61/532,904	09-09-11	US	Pending
PET imaging technologies	7,956,331	27-10-08	US	Granted
	13/232,944	14-09-11	PCT, US	Pending
	PCT/US2009/062108	26-10-09	PCT, US	Pending
	12/544,174	19-08-09	US	Pending
	8,003,948	03-11-08	US	Granted
	PCT/US2008/082273	03-11-08	PCT, AU, CA, EP, JP, KR, CN, EA, IN	Pending
	PCT/US2009/061600	22-10-09	PCT, US	Pending
Visible fiber lasers	12/182,951	30-07-08	PCT, US, CA	Pending
	2006119198	02-06-06	RU	Granted
Thin-film waveguide lasers	11/858,857	20-09-07	PCT, US	Pending
	12/851,427	05-08-10	PCT, US	Pending
3D displays	7,944,465	27-02-06	US, CA, AU	Granted
	13/108,249	16-05-11	US	Pending
	11/769,672	27-06-07	US	Pending
	PCT/IB2007/003309	07-11-07	PCT, CN, EA, EP, IN, JP, KR	Pending

Zecotek's research and development success depends on having a quality portfolio of patents, which are not only technically valuable, but are properly filed and maintained in appropriate jurisdictions. The Company devotes a significant effort to the administration of its portfolio, ensuring that any applications are duly filed in appropriate jurisdictions. It maintains a balanced mix of internal and external patent administration.

Corporate Strategy

Since Zecotek's formation in 2003, it has developed and acquired a significant technology based intellectual property portfolio protected by patents issued or filed worldwide. Furthermore, the Company has integrated a number of technologies into value-added components and products which it has manufactured in limited production runs.

Zecotek's core business strategy is to commercialize photonic products and technologies through strategic alliances with major corporations. The central objective is to enter growth markets with products featuring competitive costs and performance superiority – leading to above average profits and shareholder returns. Zecotek brings leading-edge photonics technologies to the alliances while corporate partners bring their existing product development, marketing, manufacturing and distribution resources. The product delivery vehicle is generally a joint venture, structured to clearly identify each partner's contributions, efficiently manage project costs, preserve each partner's IP rights, enable investment by third parties and minimize time to market.

Business Activities in 2011

Sales/Partnerships
The Swiss Federal Institute of Technology (ETH) selected Zecotek's new-generation, solid-state micro-pixel avalanche photo diodes (MAPD) as a key component in the electromagnetic calorimeter aimed at the development of a science platform for cosmic-ray measurements.

CERN
CERN, the European Organization for Nuclear Research, is an important partner and customer of Zecotek. It is one of the world's largest and most respected centres for scientific research studying fundamental physics to determine what the Universe is made of and how it works. At CERN, the world's largest and most complex scientific instruments are used to study the basic constituents of matter — the fundamental particles.

The Joint Institute for Nuclear Research (JINR) selected Zecotek's solid-state MAPDs for the COMPASS experiment at CERN. COMPASS is a multi-purpose experiment in high-energy physics taking place at CERN's Super Proton Synchrotron accelerator located in Switzerland. The MAPDs are used in the electromagnetic calorimeter, a critical device for the experiment being developed by JINR. The device requires photo detectors with extreme sensitivity, a uniquely high dynamic range and the ability to survive intense radiation – qualities which set Zecotek's MAPD's apart from competing technologies.

The Fermi National Accelerator Laboratory in Illinois (Fermilab) has contracted Zecotek to develop a custom MAPD based on an existing Zecotek MAPD-3 design. The custom units are required to meet specifications for CERN's Compact Muon Solenoid (CMS) Hadron Calorimeter Phase 1 upgrade. The CMS is a major experiment of the Large Hadron Collider, the world's newest and highest energy particle accelerator, brought into operation at CERN in 2009.

Patents
In July 2011 the U.S. Patent and Trademark Office granted Zecotek patent number 7,956,331 B2 for a Depth of Interaction technology, developed to provide improvements in the precision and hence the performance of positron emission tomography (PET) scanning and other medical detection systems. The patented technology was developed under a joint PET-MRI development alliance with the University of Washington.

In May 2011 the U.S. Patent and Trademark Office granted Zecotek patent number 7,944,465 for its glasses-free 3D auto-stereoscopic display system. The new patent covers the use of equipment for the reproduction of static and moving 3D stereo representations with the capability of recording and transmitting stereo representations of 3D scenes. Patents have now been granted to Zecotek for its 3D display system in the United States and Australia. Patents have been filed and are pending in Japan, China, Korea, India, Russia and major countries in Europe.

Research & Development

A new version of the Company's patented LFS scintillation crystals, LFS-3, was tested for high radiation hardness by the Institute for Theoretical and Experimental Physics synchrotron facility in Moscow, Russia. In controlled experiments, several variants of LFS scintillation crystals were subjected to high-fluence proton beams of up to $4.4 \cdot 10^{12}$ p/cm^2. While previous versions of Zecotek's ultra-fast LFS crystals had demonstrated very good radiation hardness and substantial restoration of the optical transmittance overtime, the new LFS-3 crystal materials showed no signs of degradation and optical transmission curves, before and after irradiation, were virtually identical. The test results are detailed in a preliminary publication, which can be found at http://arxiv.org/abs/1105.4963.

On September 15, 2010, the Company announced that its autostereoscopic 3D Display system (requiring no glasses) had a newly developed split view capability and Air Traffic Control simulation, both of which were demonstrated to potential industry partners and licensees from the U.S., Japan, Korea and China. The introduction of the capability to render 3D multi-level presentations for Air Traffic Control positions and flight data has also been welcomed by the industry. A 3D representation promises to be an effective aid with respect to understanding air traffic situations, local tactical understanding of traffic and collection feedback on implemented course of action. The split screen feature of the 3D Display allows for two different views on the same display and has many potential applications, in particular in the gaming industry, flight simulation and as a car dashboard navigation/ entertainment screen.

Financings

During the fiscal 2011 year, Zecotek raised aggregate gross proceeds of $7,324,690 through the sale of common shares.

On January 18, 2011, the Company announced a non-brokered private placement of 1,886,792 units of the Company at a price of $0.53 per unit for gross proceeds of $1,000,000. The number of units to be sold increased to 12,273,000 subsequently and the Company successfully raised $6,504,690 by February 17, 2011. The first tranche of the private placement mentioned above was completed on February 9, 2011, whereby, 8,900,000 were sold at a price of $0.53 per unit for gross proceeds of $4,717,000. The second tranche of the private placement was completed on February 17, 2011, whereby, 3,373,000 units of the Company were sold at a price of $0.53 per unit for gross proceeds of $1,787,690.

Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of $0.70 per share at anytime on or before the 24 month anniversary of the closing of the offering. The warrants' exercise period will automatically accelerate if the common shares of the Company trade above $1.25 for a period of 10 consecutive trading days. Pursuant to the financing, the Company paid a finder's fee in the amount of $282,416 and $95,241 for the first and second tranche respectively. At the same time the Company issued 621,670 and 209,650 non-transferable finder's warrants for the first and second tranche respectively. Each finder's warrants will entitle the holder to purchase one share at $0.70 for a period of 24 months after the date the private placement closes. All shares and warrants are subject to a four-month hold period. For the non-transferable finder's warrants issued in the first tranche the four month holding period expires on June 9, 2011 and for the non-transferable finder's warrants issued on the second tranche of the private placement the four month holding period expires on June 18, 2011.

On November 3, 2010, the Company completed a non-brokered private placement of 2,773,584 units of the Company at a price of $0.53 per unit for gross proceeds of $1,470,000. Each unit consists of one common share and on-half of one share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of $0.70 per share at anytime on or before the 24 month anniversary of the closing of the offering. The warrants' exercise period will automatically accelerate if the common shares of the Company trade above $1.25 for a period of 10 consecutive trading days. Pursuant to the financing, the Company will pay a finder's fee, equal to 5% of a portion of the gross proceeds of the sale of the shares and issue 124,811 non-transferable finder's warrants. Each finder's warrants will entitle the holder to purchase one share at $0.70 for a period of 24 months after the date the private placement closes. All shares and warrants are subject to a four-month hold period expiring on March 3, 2011.

On January 18, 2011, the Company granted 4,000,000 stock options to directors, employees and consultants for their contribution to the Company. The exercise price is set $0.64 and the options will expire in five years.

Management Changes

Effective June 28, 2011, the Company made the following management appointments and staff changes:
Mr. Azman Ariffin - Executive Vice President (Operations) and General Manager of the Imaging Division;
Dr. Serge Khorev - Senior Vice President, Technology;
Mr. Nadeem Rauf - General Manager of the Display Division;
Mr. John Moore - General Manager of the Laser Division; and
Mr. Michael Minder - CFO and Executive Vice President, Finance and Investor Relations;
Mr. Azim Dahya - has stepped down as CFO but continues to oversee corporate accounting of the Company.

The Board of Directors

Effective October 14, 2010, the Company appointed Dr. Jalil Ali to its Board of Directors. He will fill the role of an independent director, advising on industry trends as well as providing additional industry expertise at the Board level. Dr. Ali received his PhD in plasma physics from University Teknologi Malaysia (UTM), in 1990. At present, he is professor of photonics at the Institute of Advanced Photonics Science, Nanotechnology Research Alliance and the Physics Department, UTM. He has held several faculty and research positions since 1987, authored/coauthored more than 300 technical papers published in international journals, three books and a number of book chapters. Dr. Ali is a member of OSA, SPIE and the Malaysian Institute of Physics.

Other

The Discovery Channel's *Daily Planet*, Canada's daily science show, featured Zecotek's unique, patented, glasses-free Real-Time 3D Display System. During the program, Zecotek engineers demonstrate how Zecotek's patented system addresses the problem of matching multiple views with high definition, to create true parallax volumetric 3D images with high resolution. The program also explores the potential dangers and discomforts of 3D glasses used in both theatre and home entertainment systems and why a glasses-free 3D system is the only viable solution to wider consumer acceptance.

Zecotek renewed the call for consumer protection and industry standards for 3D viewing equipment. The Company first called for industry standards in a news release on March 25, 2010 to address the growing concerns over safety in 3D viewing. Nintendo Ltd. had issued a cautionary warning regarding its new handheld 3DS which may harm the eyes of children less than six years of age. Nintendo fears that 3D content "delivers 3D images with different left and right images, and which have a potential impact on the growth of children's eyes." Zecotek fully supports these concerns.

In March of 2011, the Company entered into agreements with certain of its consultants, directors and employees (the "individuals"). Under these agreements, these individuals are to waive their salaries and fees owed to them totalling $1,113,455 in favour of bonus payments of the same amounts to be paid upon certain triggering events including a sale of substantially all of the assets of the Company or the shares of the

Company, commercialization of any of the technologies of the Company or a public listing of shares of a subsidiary of the Company, or cash inflows leading to $3,000,000 in any three month period.

Subsequent Events

Zecotek has selected the Beijing Opto-Electronics Technology Co. Ltd. (BOET) to grow and commercialize all versions of its patented LFS scintillation crystals. Founded in 2001, BOET has become a leader in the photonics industry and specializes in the growing, cutting, polishing and the large scale production of crystals. Zecotek selected BOET as its partner as it is known for its competitive cost, continuity of supply and security of intellectual property. BOET is a subsidiary of North-China Research Institute of Electronics-Optics and is partially owned by the Chinese government. It has worked with a number of Canadian companies and other international companies.

A Japanese manufacturer ordered Zecotek's patented LFS scintillation crystals and patented MAPD solid-state photo detectors for trial use in radiation dosimeters. Radiation dosimeters, which are used to measure an individual's or object's exposure to ionizing radiation, can benefit from the unique properties of the LFS scintillation crystals and MAPD photo detectors, providing for devices of higher sensitivity, lower manufacturing costs and less vulnerable to high levels of radiation. Orders have also been received from a European device developer for a similar application in the detection of x-rays in medical, scientific and industrial use.

LFS-8 the newest version of LFS scintillation crystals were successfully tested by the University of Washington and by researchers affiliated to CERN. Test results show Zecotek's LFS-8 crystals have achieved an extremely fast decay constants ranging between 15 and 25 nanoseconds depending on chemical compositions with energy resolutions between 7% and 9%. Competing lutetium oxide crystals have structural decay times of no less than 40 nanoseconds, making the LFS-8, by far, the fastest existing scintillation crystal based on lutetium oxide material. This patented formulation is of significant importance to OEM's developing time-of-flight PET scanners for high accuracy imaging. Zecotek's LFS crystals are also characterized by high radiation hardness, making the LFS a prime candidate for high energy physics experiments.

Outlook

Moving forward the Company will continue to commercialize its products and technologies through strategic alliances with major corporations. Zecotek's central objective is to enter growth markets with products featuring competitive cost and performance superiority – leading to above average profits and shareholder returns.

Management has taken steps to establish a strategic supply of patented LFS scintillation crystals through an agreement with the Beijing Opto-Electronics Technology Co. Ltd. (BOET). Founded in 2001, BOET has become a leader in the photonics industry and specializes in the growing, cutting, polishing and the large scale production of crystals. The adoption of fast scintillation crystals for use in medical imaging has been slower than expected, however OEMs of PET scanners and other medical imaging devices have realized that faster crystals allow for faster patient throughput and clearer images creating better outcomes for all patients. As demand grows for Zecotek's cost competitive and superior performing crystals, BOET will deliver a consistent supply of scintillation material.

Zecotek continues to demonstrate the patented 3D display technology to potential industry partners and licensees from the U.S., Japan, Korea and China. The 3D scientific team has improved the auto-stereoscopic 3D display technology (requiring no glasses) by adding a newly developed split view capability and Air Traffic Control simulation to the system. Once limited to DLP-based back-projection televisions for the consumer market due to low frame rates on flat panel displays, rapid advances in technology have resulted in flat panels with frame rates exceeding 2,000 Hz. Zecotek's patented 3D technology is fully compatible with those flat panel displays meeting and exceeding this threshold. As manufacturing costs of these panels go

down, Zecotek's 3D technology will yield a flat panel configuration highly suitable for consumer markets well in advance of competing products.

The patented display system for the visualization of images and data has been developed in-house by Zecotek's scientific team and technical staff and does not rely on any licensed intellectual property. All intellectual property is owned and controlled by Zecotek.

The Company will continue to pursue a vigorous program of patent protection of Zecotek's core technology assets. Numerous key patents have been granted, while others are pending.

The management team is confident that the Company's photonics technologies will continue to gain market acceptance. Zecotek has been successful at attracting respected scientific organizations, and leading OEMs as customers and partners. Furthermore, it has continued to benefit from private funding which strengthens the validation of the technology and its market potential. The Company has set near term goals to complete optimal manufacturing and commercialization partnerships for the technologies in each of its three divisions.

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 Ended July 31, 2011	Audited Year Ended July 31, 2010	Audited Year Ended July 31, 2009
Revenue	$ 57,659	$ 67,848	$ 350,584
Interest income	$ -	$ -	$ 6,176
Net loss for the year	$ (4,575,543)	$ (8,088,197)	$ (4,616,950)
Earnings/loss per share	$ (0.07)	$ (0.13)	$ (0.10)
Total assets	$ 3,306,356	$ 508,678	$ 1,245,276
Long term debt	$ 0	$ 0	$ 0
Share Capital	$ 38,878,798	$ 32,702,057	$ 29,410,773
Number of Shares	68,451,588	53,405,004	46,459,171
Deficit	$ (47,726,709)	$ (43,151,166)	$ (35,062,969)

Results of Operations

Net Loss

The Company recorded a net loss of $2,197,924 or $0.03 per share in the fourth quarter of 2011, compared with $2,903,813 or $0.05 per share in the same period of 2010, a decrease of 24%. A net loss of $4,575,543 or $0.07 per share was recorded in the fiscal year 2011 compared to $8,088,197 or $0.13 per share in the same period of 2010 resulting in a decrease of 43%. The decrease is due to controlling of costs through reduction of staff, rollbacks in consulting fees, cutbacks in operating expenses including office, administrative and traveling costs and waiver of outstanding fees and salaries. Management has worked diligently in managing the administrative and overhead costs and continues to monitor those costs.

Revenue

Revenues amounted to $28,442 in the fourth quarter of 2011 and $57,659 in the year ended July 31, 2011 compared to $0 and $67,848 in the same periods in 2010. Current year revenues are from the sale of MAPD transistor packages (62% of total sales - imaging division), LFS scintillation crystals (3% of total sales - imaging division) and tunable green laser (35% of total sales - laser division) to major companies and organizations that are increasingly testing its products for potential larger scale ramp-up.

Operating, General and Administrative Expenses

Operating, General and administrative ("G&A") expenses amounted to $1,527,833 in the fourth quarter of 2011, compared with $733,209 in the same period of 2010, representing an increase in costs of 108%. This is due to an audit adjustment to accrue the salary and consulting fees waivers which had been written off in the previous quarters (note 14 of the audited financial statements). For fiscal year 2011, G&A expenses totaled $2,579,913, a decrease in costs of 12% when compared to $2,938,873 for the same period in 2010.

Increases or decreases in specific categories are:

1. Consulting and other professional fees – decreased 27% from $971,681 to $705,568, due to a decrease in the number of consultants which resulted in decreased expenses.
2. Insurance – decreased 11% from $58,457 to $51,876, due to policy maintenance and lack of claims.
3. Investor relations and filing fees – decreased 118% from $76,979 to ($14,123) due to a decrease in expenses and waiving of the outstanding fees by the vendor.
4. Office and General – decreased 42% from $173,178 to $100,464. This decrease is attributed to managing and controlling general and administrative costs.
5. Marketing and promotion – increased 90% from $5,829 to $11,078 in fiscal 2011, driven by an increased emphasis on marketing.
6. Rent – increased 1% from $412,620 to $415,653 as a result of moving the facilities in Vancouver at the University of British Columbia to Richmond.
7. Salaries and benefits – decreased 1% from $1,087,135 to $1,071,084.
8. Travel – decreased 3% from $190,088 to $184,072 driven by an overall budget reduction for travelling expenses. The Company is increasingly making efforts to conduct meetings via telephone and internet.

Research and Development Expenses

Research and development ("R&D") expenses amounted to $648,794 in the fourth quarter of 2011, compared with $1,195,914 in the fourth quarter of 2010, representing a decrease in costs of 46%. The R&D costs for the fourth quarter of fiscal year 2010 was restated from $305,875 to $1,195,914 to recognize the EDB liability which is disputed by the company (refer to note 15 of the audited financial statements). For the year ended July 31, 2011, R&D expenses were $676,274 compared to $3,236,432 for the same period of 2010, reflecting a decrease in costs of 79%. As described in note 13(b) of the annual financial statements of the Company for the year ended July 31, 2011, the large decrease is due to reversal of the accrued University of Washington ("UOW") contract amounts. The Company negotiated a settlement towards the old contract and paid off the amount required. Consequently $630,957 (USD$606,974) accrued previously to UOW under the old agreement was reversed. In the third quarter of fiscal year 2011, a new contract was negotiated with UOW for $280,000 USD. The first payment of the contract was made on May 20, 2011 for $93,000 USD. Subsequent payments for the remaining $187,000 USD amount will be made in fiscal year 2012. The focus of the research and development projects that are still being currently carried out in Zecotek laboratories are to meet the specifications required by the OEM and adapting and improving our technologies for different applications demanded by the market.

Stock-based Compensation

Stock-based compensation expenses amounted to $13,812 in the fourth quarter of 2011, compared with $200,911 in the same period of 2010. For fiscal 2011, stock-based compensation expenses totaled $1,266,527, an increase in costs of 56% when compared to $811,458 for the same period in 2010. The increase is due to the options granted during the year to certain officers, consultants and directors.

Financing

There were no financing costs for the 2011 fiscal year. Financing costs of $135,460 for fiscal 2010 were a result of amending the terms of the 1,078,150 warrants issued to the subscribers of a private placement which closed on December 20, 2007 using the Black-Scholes option pricing model. The exercise price of the warrants was reduced from $2.10 to $0.75 per common share with no change to the expiry date. The amount was considered a financing expense and charged to operations.

Foreign Exchange Loss

Foreign exchange loss amounted to $35,102 in the fourth quarter of 2011, compared with a loss of $63,606 in the same period of 2010 representing a decrease of 45%. For fiscal year 2011, foreign exchange loss was $39,586 a decrease in costs of 66% when compared to a loss of $117,667 for the same period in 2010. The decrease is due to impact of the foreign currency fluctuations.

Amortization of property and equipment
Amortization expense for the fourth quarter of 2011 decreased to $5,546 from $58,966 in the same period of 2010, a decrease of 91%. For fiscal year 2011, the amortization was $45,373 a decrease of 81% when compared to $241,435 for the same period in 2010. The decrease is due to the accelerated depreciation methods used by the Company and certain manufacturing equipment being written off in 2010.

Write-off of property and equipment
During the 2010 fiscal year, the Company wrote-off manufacturing equipment with a net book value of $683,463. The Company assessed this equipment to be impaired as the technologies are either still in the developmental stages or sales have not yet materialized thus it is difficult for the Company to justify whether the carrying value can be recovered from forecasted cash flows and profitability information, including estimated future operating results, trends and other available information. The Company used the cash flow test for recoverability method pursuant to the guidelines suggested in the CICA Hand book Section 3063, *Impairment of long-lived assets.* The impaired asset belonged to the Asian business segment of the Company. No equipment was written off during the 2011 fiscal year.

Amortization of patent costs
Amortization expense for the fourth quarter of 2011 increased from $4,490 to $6,383 in the same period of 2010 representing an increase of 42%. For fiscal year 2011, the amortization was $25,529 compared to $28,000 for the same period in 2010.

Impairment of patent costs
Impairment of patent costs for some of the technologies decreased to $0 in the current fiscal year from $16,511 in the same period in 2010. These technologies are either still in the developmental stages or sales have not yet materialized thus it is difficult for the Company to justify whether the carrying value can be recovered from forecasted cash flows and profitability information, including estimated future operating results, trends and other available information.

Contingencies
In March of 2011, the Company entered into agreements with certain of its consultants, directors and employees (the "individuals"). Under these agreements, the individuals waived salaries and fees owed to them totalling $1,113,455 in favour of bonus payments of the same amounts, which are to be paid upon certain triggering events, including a sale of substantially all of the assets of the Company, or the shares of the Company, commercialization of any of the technologies of the Company, a public listing of shares of a subsidiary of the Company, or cash inflows exceeding $3,000,000 in any three month period.

The liability for this compensation will remain included in accounts payable and accrued liabilities until such time as it can be determined that the liability is legally extinguished or that the Company's obligation to pay is unlikely.

Government grants
The Company has received grants from the Government of Singapore – Economic Development Board ("EDB") and the Government of Malaysia – Industrial Development Authority ("MIDA"). The EDB grant is contingently repayable should the Company not meet certain requirements in respect to local employment, expenditures and production. As at July 31, 2010, certain of these conditions were not met in respect to the EDB grant. During the 2009 year, the Company received Singapore dollars $1,554,778 (Canadian dollars $1,232,162) and recorded this as a reduction in expenditures and expenses as management believed there was reasonable assurance that the amounts would not have to be repaid.

The Company received correspondence from the EDB in August 2010 in which the EDB required repayment of cumulative grants received by the Company in the amount of Singapore dollars $1,554,778 (Canadian dollars $1,232,162), referring to the Company's not meeting all original conditions of the grant. The amount has been recognized as a liability as at July 31, 2010 and 2011 (note 21 of the audited financial statements).

The Company disputes the repayment requirement, believes the EDB had previously waived or postponed some conditions, and is in discussion with the EDB seeking to eliminate the amount owing by the Company. The Company has not received any further communications from the EDB since the Company's legal counsel responded to the EDB correspondence in September 2010.

During the 2010 year, the Company received additional salary cost assistance from the Government of Singapore totalling $15,514 which was reported as a reduction of research and development costs.

Related party transactions
The Company undertook various transactions with related parties as detailed out in note 12 of the audited financial statements for the year ended July 31, 2011. These transactions were measured at the exchange amounts which are the amounts of consideration established and agreed upon by the related parties.

Summary of Quarterly Results

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

Quarters ended (unaudited)	**July 31 2011**	**April 30 2011**	**January 31 2011**	**October 31 2010**
Operating Accounts				
Revenue	$28,442	$2,037	$27,180	Nil
Net loss	$2,197,924	$952,985	$409,183	$1,015,451
Balance Sheet Accounts				
Total Assets	$3,306,356	$4,665,072	$1,483,160	$533,635
Loss per share	$0.03	$0.01	$0.01	$0.02
Quarters ended (unaudited)	**July 31 2010**	**April 30 2010**	**January 31 2010**	**October 31 2009**
Operating Accounts				
Revenue	Nil	$1,110	$19,664	$47,074
Net loss	$2,903,813	$1,659,369	$2,058,909	$1,466,106
Balance Sheet Accounts				
Total Assets	$508,678	$1,304,226	$1,387,762	$3,286,189
Loss per share	$0.05	$0.03	$0.04	$0.03

Liquidity and Capital Resources

For fiscal 2011, the Company has a net loss of $4,575,543 and negative cash flow from operating activities of $3,992,948 compared to a net loss of $8,088,197 and negative cash flow from operating activities of $4,804,670 for fiscal year 2010. As a result of recurring losses over the Company's history, the Company has accumulated deficit of $47,726,709 as at July 31, 2011. The accounts payable and accrued liabilities have decreased by $738,134 in the fiscal year 2011 compared to an increase of $1,667,584 for fiscal 2010. The decrease in liabilities is mainly a result of an increase in cash and ability to meet short-term obligations.

Net cash provided by financing activities in fiscal 2011 was $6,781,356 as compared to $4,804,761 for fiscal 2010. In 2011, the financing activities consisted mainly of the issuance of shares through a non-brokered private placement.

Net cash provided by investing activities in fiscal 2011 was negative $11,598 as compared to a negative cash flow of $511 for fiscal year 2010. Significant difference in cash flows from investing activities is due to the disposition of short term investments in 2011 by the Company. The Company did not purchase and/or sell any such investments in the fiscal year 2010.

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 July 31, 2011 the Company had $2,857,820 in cash and cash equivalents, an increase of $2,776,810 (97%) over the $81,010 cash and cash equivalents available at July 31, 2010. The consolidated working capital was $312,533 at July 31, 2011, an increase of $4,220,726 over the $(3,908,193) of consolidated working capital at July 31, 2010. The increase in working capital mainly resulted from the increase in cash and decrease in liabilities as the Company received sufficient funding to meet its short-term liabilities.

On February 9, 2011, the Company completed the first tranche of a non-brokered private placement of 8,900,000 units of the Company at a price of $0.53 per unit for gross proceeds of $4,717,000. The second tranche of the private placement was completed on February 17, 2011, whereby, 3,373,000 units of the Company were sold at a price of $0.53 per unit for gross proceeds of $1,787,690. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of $0.70 per share at anytime on or before the 24 month anniversary of the closing of the offering. The warrants' exercise period will automatically accelerate if the common shares of the Company trade above $1.25 for a period of 10 consecutive trading days. The estimated fair value of common share purchase warrants granted was determined to be $647,427 and $243,750 for the first and second tranche respectively, using the Black-Scholes option pricing model (note 9(d)). Pursuant to the financing, the Company paid a finder's fee in the amount of $282,416 and $95,241 for the first and second tranche respectively. At the same time the Company issued 621,670 and 209,650 non-transferable finder's warrants for the first and second tranche respectively. Each finder's warrants will entitle the holder to purchase one share at $0.70 for a period of 24 months after the date the private placement closes. The estimated fair value of agents' warrants granted was determined to be $163,748 and $52,350 for the first and second tranche respectively, using the Black-Scholes option pricing model (note 9(d)). Legal and other costs amounted to $43,414. All shares and warrants are subject to a four-month hold period. For the shares and warrants issued in the first tranche the four month holding period expires on June 9, 2011 and for those issued on the second tranche of the private placement the four month holding period expires on June 18, 2011.

Share Capital

Set out below is the outstanding share data of the Company as at July 31, 2011. For additional details, see Note 9 to the audited financial statements for July 31, 2011.

At July 31, 2011	Number outstanding
Common shares	68,451,588
Stock options	8,405,000
Common share purchase warrants	13,448,292
Agent's warrants	1,311,631

Outstanding options represent a total of 8,405,000 common shares issuable. At July 31, 2011, 6,405,000 of these options were exercisable and would provide proceeds of $4,675,650 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 July 31, 2011 the Company had outstanding 13,448,292 common shares purchase warrants of which 5,925,000 are exercisable at $1.00 per share expiring on October 23, 2011; 1,386,792 are exercisable at $0.70

per share expiring on November 3, 201; 4,450,000 are exercisable at $0.70 per share expiring on February 9, 2013 and 1,686,500 are exercisable at $0.70 per share expiring on February 17, 2013.

At July 31, 2011 the Company had outstanding 1,311,631 agent's and finder's warrants of which 355,500 were exercisable at $1.00 per share expiring on October 23, 2011; 124,811 were exercisable at $0.70 expiring on November 3, 2012; 621,670 were exercisable at $0.70 per share expiring on February 9, 2013 and 209,650 were exercisable at $0.70 expiring on February 17, 2013.

Escrow shares
As at July 31, 2011 all shares held in escrow had been released. The last 240,000 were released on January 4, 2011.

Contractual Obligations

The following table summarizes the Company's contractual obligations as at July 31, 2011, 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:

	2012	**2013**	**2014**	**2015**	**2016**
Rental leases	$ 145,566	$ 42,795	$ 3,566	$ -	$-
Research Contracts	$ 208,789	$ 45,110	$ 50,110	$ 60,110	$60,110

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.

Convergence with International Financial Reporting Standards ("IFRS")

On February 23, 2008, the Canadian Accounting Standards Board ("AcSB") announced that all publicly–listed entities will be required to prepare their interim and annual financial statements relating to fiscal years commencing on or after January 1, 2011 in accordance with IFRS.

The Company will adopt IFRS for its fiscal year beginning August 1, 2011 with the quarter ended October 31, 2011 being the first set of consolidated financial statements prepared in accordance with IFRS. Comparative figures for the quarter ended October 31, 2010 will be presented, including an opening balance sheet as at August 1, 2010 reconciled from current Canadian Standards ("GAAP") to IFRS.

During the latter part of the 2011 fiscal year, the Company has shifted its focus to the implementation of the IFRS project and has determined that the impact of the conversion on Zecotek Photonics Inc. will not be extensive. Many of the accounting policies will remain the same; however, there will be increased disclosure as per IFRS.

The following phases are part of the Company's conversion project:

1. Project awareness – In this phase management identified and communicated key project requirements and objectives to the areas that will be impacted by IFRS conversion, to the Board of Directors, members of the Audit Committee and senior management. The Company has recently completed this phase.

2. Diagnostic – This phase included an assessment of differences between GAAP and IFRS, focusing on key areas of impact for the Company. The Company has determined the differences between IFRS and GAAP taking the line by line item approach from the financial statements and reviewing the accounting policies that will have to be implemented as per IFRS. This has led the project to the design and planning phase. Notwithstanding the increased disclosure requirement, the Company has determined the impact of key differences between the existing GAAP and IFRS on different financial statements areas will not be extensive for the Company.

3. Design and planning – This phase focused on determining specific impacts to the Company based on the application of pending IFRS requirements. This included design and development of detailed solutions and by the identified key areas of impact. Accounting policies are being finalized and applied taking into consideration first-time adoption exemptions, draft financial statement and disclosures under IFRS are also being prepared. A few key areas the Company has spent time analyzing are capital assets, for impairment, and an analysis of patents is also being carried out.

4. Implementation – This phase includes implementing the required changes necessary for IFRS compliance. The focus of this phase is the finalization of the IFRS conversion impacts, approval & implementation of new accounting policies & procedures as required, testing of new processes, systems and controls, implementation of required training courses and preparation of opening IFRS balances. We have also begun assessing the impacts of IFRS on all other areas of our business, including contractual arrangements with our employees and third party contracts. At this time, we do not anticipate that adopting IFRS reporting standards will impact our contracts or other business practices outside of financial reporting, however this assessment is still underway and our preliminary assessment may be subject to change.

5. Post implementation – This phase deals with the after effects of the implementation of the IFRS in the Company; specifically, the assessment of efficiency and effectiveness of internal controls and processes including internal controls over financial reporting and disclosure controls and procedures, and the assessment of information systems and data technology requirements. The Company will continue to provide resources to its employees for continued education on IFRS policies and changes in the future.

Internal Controls and Disclosure Controls over Financial Reporting

On November 23, 2007, the British Columbia Securities Commission exempted Venture Issuers from certifying disclosure controls and procedures, as well as, Internal Controls over Financial Reporting as of December 31, 2007, and thereafter. Since the Company is a Venture Issuer, it is now required to file basic certificates, which it has done for the year ended July 31, 2011. The Company makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under Multilateral Instrument 52-109 as at July 31, 2011.

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 three members, David Toyoda (independent), Canada Dr. Jalil Ali (independent), Malaysia and Dr. A.F Zerrouk (CEO). Mr. Toyoda is the Chairman of the Audit Committee.

David Toyoda is a lawyer with a Bachelor of Commerce degree with honors and serves on several Boards as Director. Dr. A.F. Zerrouk has many years experience serving on the board of high tech organizations, he is a technology developer and scientific entrepreneur and founder of various technology companies. Dr. Jalil Ali has held several faculty and research positions since 1987. He is a member of OSA, SPIE and the Malaysian

Institute of Physics and was head of the technology transfer and innovation department at the University Technology Malaysia.

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.

Additional Information

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