

# **ZECOTEK PHOTONICS INC.**

## **CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JANUARY 31, 2008 AND 2007**

### **NOTICE**

The interim financial statements of the company have been prepared by and are the responsibility of the company's management and have not been reviewed by the Company's independent auditor.

**ZECOTEK PHOTONICS INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**(Expressed in Canadian Dollars)**  
**As At January 31, 2008 and July 31, 2007**

	<b>January 31, 2008</b> <b>(Unaudited)</b>	<b>July 31, 2007</b> <b>(Audited)</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 5,237,403	\$ 1,577,863
Accounts receivable	57,073	-
Accrued interest receivable	18,080	5,416
Goods and services tax recoverable	74,045	34,346
Prepaid expenses	84,460	46,601
<b>Total Current Assets</b>	<b>5,471,061</b>	<b>1,664,226</b>
Due from related parties	64,429	65,209
Restricted short term investments	20,000	20,000
Deposits	94,243	653,689
Property and equipment	1,206,889	567,151
Equipment under capital lease	41,347	48,643
Patent costs	204,617	137,112
Intangible assets and development costs	1	1
<b>Total Assets</b>	<b>\$ 7,102,587</b>	<b>\$ 3,156,031</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 301,290	\$ 325,344
Current portion of obligations under capital lease	8,498	6,764
Share subscription received	-	14,145
Liabilities of discontinued operations	53,254	53,254
	<b>363,042</b>	<b>399,507</b>
Obligations under capital lease	28,751	34,471
<b>Shareholders' Equity</b>		
Share capital ( <i>note 5(b)</i> )	29,587,722	21,809,339
Contributed surplus ( <i>note 5(g)</i> )	3,551,046	2,955,552
Deficit	(26,427,974)	(22,042,838)
<b>Total Shareholders' Equity</b>	<b>6,710,794</b>	<b>2,722,053</b>
<b>Basis of Presentation (<i>note 1</i>)</b>		
<b>Commitments (<i>note 8</i>)</b>		
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 7,102,587</b>	<b>\$ 3,156,031</b>

Approved, on behalf of the Board:

"Faouzi Zerrouk"  
 Director

"Erich Sager"  
 Director

See accompanying Notes to Consolidated Financial Statements

**ZECOTEK PHOTONICS INC.**  
**CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT**  
(Expressed in Canadian Dollars)  
(Unaudited)  
Six months ended January 31, 2008 and 2007

	<b>Three Months ended January 31</b>		<b>Six Months ended January 31</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>REVENUE</b>	\$ 132,419	-	\$ 132,419	-
<b>COST OF SALES</b>	102,265	-	102,265	-
<b>GROSS PROFIT</b>	30,154	-	30,154	-
<b>EXPENSES</b>				
Research and development ( <i>note 6</i> )	1,098,507	510,601	1,852,563	1,050,904
General and administrative ( <i>note 7</i> )	1,174,943	1,212,118	2,437,034	2,208,361
Amortization	56,495	34,629	109,219	42,681
Foreign exchange loss (gain)	30,185	(43,942)	69,517	(41,484)
	2,360,130	1,713,406	4,468,333	3,260,462
<b>Loss before interest income</b>	(2,329,976)	(1,713,406)	(4,438,179)	(3,260,462)
<b>Interest income</b>	41,370	39,025	53,043	39,025
<b>Net Loss</b>	(2,288,606)	(1,674,381)	(4,385,136)	(3,221,437)
<b>Deficit, Beginning of Period</b>	(24,139,368)	(15,348,211)	(22,042,838)	(13,801,155)
<b>Deficit, End of Period</b>	\$(26,427,974)	\$(17,022,592)	\$(26,427,974)	\$(17,022,592)
<b>Loss per common share – basic and diluted</b>	\$(0.05)	\$(0.05)	\$(0.10)	\$(0.09)
<b>Weighted average number of common shares outstanding – basic and diluted (<i>note 5(f)</i>)</b>	44,032,527	34,705,089	42,400,200	34,701,219

See accompanying Notes to Consolidated Financial Statements

**ZECOTEK PHOTONICS INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)  
(Unaudited)  
Six months ended January 31, 2008 and 2007

	<b>Three Months ended January 31</b>		<b>Six Months ended January 31</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Operating Activities:</b>				
Net loss for the year	\$(2,288,606)	\$(1,674,381)	\$(4,385,136)	\$(3,221,437)
Adjustments for items not involving cash:				
Amortization – property and equipment	55,875	34,629	107,979	42,681
Amortization – patent costs	620	-	1,240	-
Stock-based compensation ( <i>note 5(e)</i> )	150,100	438,762	510,889	805,023
	(2,082,011)	(1,200,990)	(3,765,028)	(2,373,733)
Changes in non-cash working capital:				
Accounts receivable	(57,073)	-	(57,073)	-
Accrued interest receivable	(17,642)	(6,977)	(12,664)	16,251
Subscription receivable	16,000	-	-	-
Goods and services tax recoverable	(9,800)	5,625	(39,699)	105,132
Prepaid expenses	14,582	(42,288)	(37,859)	(82,258)
Accounts payable and accrued liabilities	2,070	45,987	(24,054)	(124,079)
<b>Net Cash Used in Operating Activities</b>	(2,133,874)	(1,198,643)	(3,936,377)	(2,458,687)
<b>Investing Activities:</b>				
Decrease (increase) in short term investments	-	1,300,000	-	3,050,000
Deposits received	268	-	559,446	-
Acquisition of property and equipment	(102,883)	(82,665)	(740,421)	(431,111)
Patent costs incurred	(33,500)	(13,970)	(68,745)	(36,861)
	(136,115)	1,203,365	(249,720)	2,582,028
<b>Financing Activities:</b>				
Proceeds from shares issued, net of issuance costs	5,349,165	140,000	7,862,988	146,000
Subscription received	-	2,000,000	(14,145)	2,000,000
Obligations under capital lease	753	-	(3,986)	-
Advances from related parties	6,310	10,000	780	18,992
	5,356,228	2,150,000	7,845,637	2,164,992
<b>Increase in cash and cash equivalents</b>	3,086,239	2,154,722	3,659,540	2,288,333
Cash and cash equivalents, Beginning of Period	2,151,164	382,625	1,577,863	249,014
<b>Cash and cash equivalents, End of Period</b>	5,237,403	2,537,347	\$ 5,237,403	\$ 2,537,347

See accompanying Notes to Consolidated Financial Statements

**ZECOTEK PHOTONICS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**  
**Six months ended January 31, 2008 and 2007**

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## **1. BASIS OF PRESENTATION**

Zecotek Photonics Inc. (the “Company”) is a public company incorporated under the laws of the Province of British Columbia, Canada. The Company changed its name from Zecotek Medical Systems Inc. on November 26, 2007.

These interim financial statements have been prepared in accordance with generally accepted accounting principles on a going concern basis, which presumes that the Company will be able to realize assets and discharge liabilities in the normal course of business for the foreseeable future. The Company has incurred significant losses since its inception. These factors, among others, raise uncertainty about the ability of the Company to continue as a going concern. The continued operations of the Company are dependent upon the ability of the Company to obtain further equity financing, the support of its principal shareholders and achieving profitable operations sufficient to meet all obligations, the outcome of which cannot be predicted at this time.

These financial statements do not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in the financial statements.

Certain information and disclosure normally required to be included in notes to annual consolidated financial statements have been condensed or omitted. These interim consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended July 31, 2007. The consolidated interim financial statements have been prepared following the same accounting policies and methods of computation as the audited consolidated financial statements for the year ended July 31, 2007.

Certain comparative figures have been reclassified to conform with the current period’s presentation.

## **2. CHANGES IN ACCOUNTING POLICIES**

On August 1, 2007, the Company adopted prospectively the recommendations of the Canadian Institute of Chartered Accountants Handbook (CICA) Section 1530 – *Comprehensive Income*, Section 3251 – *Equity*; Section 3855 – *Financial Instruments – Recognition and Measurement*, Section 3861– *Financial Instruments – Disclosure and Presentation*, and Section 3865 – *Hedges*. These new Sections of the CICA Handbook contain, among other things, comprehensive standards for the recognition, measurement, presentation and disclosure of financial instruments.

The Company has assessed the impact of the adoption of these standards as at August 1, 2007 and has determined that there was no significant impact on the interim consolidated financial statements.

*Financial Instruments – Disclosures and Presentation:* The new financial instruments presentation and disclosure requirements were issued in December 2006; Section 3862 – *Financial Instruments – Disclosures*; and Section 3863 – *Financial Instruments – Presentation* which replaces Section 3861 – *Financial Instruments – Disclosure and Presentation*. The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standard carries forward the former presentation requirements. This Section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Company is assessing the impact on its financial statements.

*Inventory:* In June 2007, the CICA issued Section 3031 – *Inventories*, which will replace the existing inventory standard. The new standard requires inventory to be valued on a first-in, first-out or weighted averaged basis. As the Company’s inventory accounting policy is consistent with these requirements, the

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## **2. CHANGES IN ACCOUNTING POLICIES - Continued**

application of this standard is not expected to have a material impact on the consolidated financial statements. However, the Company is still assessing the impact of this new standard.

*Capital Disclosures:* CICA issued Handbook Section 1535 – *Capital Disclosures*, which will require disclosure of objectives, policies and processes for managing capital. In addition, disclosures will include whether companies have complied with externally imposed capital requirements. These recommendations are effective for fiscal years beginning on or after January 1, 2008 and therefore, the Company will be required to implement these standards on August 1, 2008. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

## **3. FINANCIAL INSTRUMENTS AND RISKS**

The fair values of financial instruments are estimated at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash and cash equivalents, short term and restricted short term investments, accrued interest receivable, due from related parties, deposits, accounts payable and accrued liabilities, subscriptions received, obligations under capital lease, and liabilities of discontinued operations approximate their fair value.

Financial instruments that potentially subject the Company to concentration of credit risks consist principally of cash and short term investments. The Company places its cash in high credit quality financial institutions. Concentration of credit risks with respect to receivables is limited.

Financial risk is the risk to the Company's results of operations that arises from fluctuations in interest rates and foreign exchange rates and the degree of volatility of these rates, as well as credit risk associated with the financial stability of the issuers of the financial instruments. The Company's short term investments are invested in fixed rate securities.

Foreign currency risk

The Company is exposed to fluctuations in the exchange rates between the Canadian dollar and other currencies including Singapore dollars, US dollars, Euros, and Swiss Francs. Most of the transactions in the Company's Singapore operations are undertaken in Singapore dollars. The company monitors fluctuations and takes action, if deemed necessary to mitigate its risks.

## **4. REVENUE RECOGNITION**

Revenue is recognized when the Company's product is shipped, the title is transferred and collection is reasonably assured. All the revenue earned in this quarter is from the sale of Lasers.

**ZECOTEK PHOTONICS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
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**5. SHARE CAPITAL**

**a) Authorized**

The authorized share capital of the Company is an unlimited number of common voting shares with no par value.

**b) Issued and outstanding common shares:**

	<b>Number of Shares</b>	<b>Amount</b>
<b>Balance, July 31, 2006</b>	<b>34,692,741</b>	<b>\$ 16,246,313</b>
Private placement	3,043,478	3,067,733
Exercise of options	553,000	584,671
Exercise of agent options	507,102	588,578
Exercise of warrants	1,016,957	1,322,044
<b>Balance, July 31, 2007</b>	<b>39,813,278</b>	<b>21,809,339</b>
Private placement (i)	1,563,000	2,353,638
Exercise of agent options (ii)	27,494	31,912
Exercise of warrants (iii)	87,168	113,318
<b>Balance, October 31, 2007</b>	<b>41,490,940</b>	<b>\$ 24,308,207</b>
Private placement (iv)	2,156,300	3,033,875
Exercise of agent options (v)	104,344	121,110
Exercise of warrants (vi)	1,634,254	2,124,530
<b>Balance, January 31, 2008</b>	<b>45,385,838</b>	<b>\$ 29,587,722</b>

- i) On September 6, 2007, the Company completed a non-brokered private placement of 1,563,000 units issued at \$1.60 per unit, resulting in gross proceeds of \$2,500,800. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share for a period of eighteen months at a price of \$2.00 per share. The Company paid a finder's fee equal to 5% of the gross proceeds of the sale of the shares and issued non-transferable finder's warrants to purchase shares equal in number to 5% of the units sold under the private placement. The estimated fair value of agents' warrants granted was determined to be \$22,122 (\$0.28 per share), using the Black-Scholes option pricing model (note 3(d)).
- ii) During the quarter ended October 31, 2007, 27,494 agent options at \$0.90 per share were exercised for total cash proceeds of \$24,745. Contributed surplus amounts of \$7,167 related to these options were consequently transferred to the share capital account. One half share purchase warrant was attached to each share received in the exercise of options, giving rise to 13,747 warrants. These warrants expire November 12, 2007 and have an exercise price of \$1.30.
- iii) During the quarter ended October 31, 2007, 87,168 warrants were exercised at \$1.30 per share for total cash proceeds of \$113,318.

**ZECOTEK PHOTONICS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**5. SHARE CAPITAL - Continued**

**b) Issued and outstanding common shares - Continued:**

- iv) On December 20, 2008, the Company completed a private placement of 2,156,300 units issued at \$1.60 per unit, resulting in gross proceeds of \$3,450,080. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share for a period of twenty four months at a price of \$2.10 per share. 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 shares equal in number to 7% of the units sold under the private placement. Legal and other share issuance costs amounted to \$77,849. The estimated fair value of agents' warrants granted was determined to be \$96,850 (\$0.64 per share), using the Black-Scholes option pricing model (note 3(d)).
- v) During the quarter ended January 31, 2008, 104,344 agent options at \$0.90 per share were exercised for total cash proceeds of \$93,910. Contributed surplus amounts of \$27,200 related to these options were consequently transferred to the share capital account. One half share purchase warrant was attached to each share received in the exercise of options, giving rise to 52,170 warrants.
- vi) During the quarter ended January 31, 2008, 1,634,254 warrants were exercised at \$1.30 per share for total cash proceeds of \$2,124,530.

**c) Common share purchase warrants**

	<b>Number of warrants</b>	<b>Weighted average exercise price</b>
<b>Balance, July 31, 2006</b>	3,194,700	\$ 1.30
Warrants exercised	(1,016,670)	1.30
<b>Balance, July 31, 2007</b>	<b>2,178,030</b>	<b>1.30</b>
Warrants exercised	(71,583)	1.30
Warrants granted	781,500	2.00
<b>Balance, October 31, 2007</b>	<b>2,887,947</b>	<b>1.49</b>
Warrants exercised	(1,336,797)	1.30
Warrants expired	(769,650)	1.30
Warrants granted	1,078,150	2.10
<b>Balance, January 31, 2008</b>	<b>1,859,650</b>	<b>\$ 2.06</b>

At January 31, 2008, the share purchase warrants outstanding and exercisable were as follows:

<b>Number of common shares to be issued</b>	<b>Exercise price</b>	<b>Date of expiry</b>
781,500	\$ 2.00	March 6, 2009
1,078,150	2.10	December 20, 2009



**ZECOTEK PHOTONICS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**5. SHARE CAPITAL - Continued**

**d) Agent's warrants and options**

	Number of warrants	Weighted average exercise price
<b>Balance, July 31, 2006</b>	<b>638,940</b>	<b>\$ 0.90</b>
Agents' options exercised	(507,102)	0.90
Agents' warrants granted on exercise of options	253,551	1.30
Agents' warrants exercised	(6,287)	1.30
Agents' warrants granted in private placement	213,043	0.90
<b>Balance, July 31, 2007</b>	<b>592,145</b>	<b>1.07</b>
Agents' options exercised	(27,494)	0.90
Agents' warrants granted on exercise of options	13,747	1.30
Agents' warrants exercised	(15,585)	1.30
Agents' warrants granted in private placement	78,150	2.00
<b>Balance, October 31, 2007</b>	<b>640,963</b>	<b>\$ 1.19</b>
Agents' options exercised	(104,344)	0.90
Agents' warrants granted on exercise of options	52,170	1.30
Agents' warrants exercised	(297,457)	1.30
Agents' warrants expired	(139)	1.30
Agents' warrants granted in private placement	150,941	1.60
<b>Balance, January 31, 2008</b>	<b>442,134</b>	<b>\$ 1.33</b>

At January 31, 2008, the agents' options and warrants outstanding and exercisable were as follows:

Number of common shares to be issued	Exercise price	Date of expiry
213,043	0.90	February 18, 2009
78,150	2.00	March 6, 2009
150,941	1.60	December 20, 2009

The fair value of agents' options and warrants has been estimated at the date of grant of options using the Black-Scholes option pricing model using the following weighted average assumptions:

	January 31, 2008	July 31, 2007
Annualized stock volatility	77.7%	77.9%
Risk-free interest rate	4.0%	4.1%
Expected option/warrant life	1.8 years	2.0 years
Dividend payments	0.0%	0.0%

**ZECOTEK PHOTONICS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**5. SHARE CAPITAL - Continued**

**e) Stock options**

On December 28, 2007, the shareholders approved a new stock option plan. Under the plan, the Company may grant options to purchase common shares in the Company to employees, directors, officers, and consultants of the Company. The exercise price of the options is to be determined by the Board of Directors but generally will be equal to or greater than the market price of the shares at the grant date. Options will vest according to the following schedule:

- 25% - on grant date
- 25% - six months after grant date
- 25% - twelve months after grant date
- 25% - eighteen months after grant date

As of January 31, 2008, the Company has reserved 8,340,000 common shares for issuance of stock options to employees, directors, officers and consultants of the Company of which 2,928,000 were available for future issuance.

Stock option transactions and the number outstanding are summarized below:

	<b>Number of options</b>	<b>Weighted average exercise price</b>
<b>Balance, July 31, 2006</b>	4,835,000	\$ 1.22
Options granted	720,000	1.04
Options exercised	(553,000)	0.78
Options expired	(533,000)	1.44
<b>Balance, July 31, 2007</b>	4,469,000	1.22
Options granted	100,000	1.30
<b>Balance, October 31, 2007</b>	<b>4,569,000</b>	<b>\$ 1.22</b>
Options granted	160,000	1.79
<b>Balance, January 31, 2008</b>	<b>4,729,000</b>	<b>\$ 1.24</b>

At January 31, 2008, 4,354,000 options had vested, which have a weighted average exercise price of \$1.23.

The estimated fair value of options granted to employees, directors, officers and consultants is amortized to expense over the vesting period of the options, resulting in compensation expense and addition to contributed surplus of \$510,889 for the six months ended January 31, 2008 (2007 – \$805,023).

The weighted average fair value of stock options granted during the six months ended January 31, 2008 has been estimated at the date of grant using the Black-Scholes option pricing model as \$1.03 per share (2007 - \$0.60) using the following weighted average assumptions:

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**5. SHARE CAPITAL - Continued**

**e) Stock options - Continued**

	January 31, 2008	July 31, 2007
Annualized stock volatility	78.0%	74.0%
Risk-free interest rate	4.0%	4.1%
Expected option life	5 years	4.4 years
Dividend payments	0.0%	0.0%

The following summarizes options outstanding at July 31, 2007:

Exercise price	Number of options	Number of options Exercisable	Weighted average remaining life (years)
\$0.50	560,000	560,000	1.92
\$0.70	260,000	260,000	1.97
\$0.72	100,000	100,000	2.98
\$0.75	574,000	574,000	2.62
\$0.80	160,000	120,000	3.96
\$0.93	140,000	140,000	3.14
\$0.99	100,000	100,000	3.42
\$1.05	160,000	120,000	3.52
\$1.10	300,000	225,000	3.98
\$1.20	100,000	75,000	4.00
\$1.30	100,000	25,000	4.69
\$1.55	240,000	240,000	3.35
\$1.76	1,775,000	1,775,000	3.28
\$1.79	160,000	40,000	4.82
	4,729,000	4,354,000	3.12

The Black-Scholes model, used by the Company to calculate option values, was developed to estimate fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differs from the Company's stock option awards. This model also requires highly subjective assumptions, including future stock price, volatility, and expected time until exercise, which greatly affect the calculated values.

**f) Escrow Shares**

As at January 31, 2008 a total of 6,771,253 (2007 – 10,820,003) of the issued shares were held in escrow, the release of which is subject to a pre-determined schedule through January of 2011. The escrowed shares are to be included in the computation of the weighted-average number of common shares outstanding.

**ZECOTEK PHOTONICS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**5. SHARE CAPITAL - Continued**

**g) Contributed Surplus**

	<b>Jan 31, 2008</b>	<b>July 31, 2007</b>
<b>Balance, beginning of period</b>	\$ 2,955,552	\$ 1,558,457
Options granted (note 5(e))	510,889	1,530,686
Options exercised	-	(153,671)
Agents' options exercised (note 5(b)(ii) and (v))	(34,367)	(132,187)
Agents' warrants granted (note 5(b)(i) and (iv))	118,972	152,267
<b>Balance, end of period</b>	<b>\$ 3,551,046</b>	<b>\$ 2,955,552</b>

**6. RESEARCH AND DEVELOPMENT EXPENSES**

During the six months ended January 31, 2008, the Company incurred research and development expenses of \$1,852,563 (2007 - \$1,050,904) which it considered to not meet the criteria for initial capitalization of such costs, including costs not directly attributable to specific product development, such as overhead.

**7. GENERAL AND ADMINISTRATIVE**

	<b>Three Months Ended January 31</b>		<b>Six Months Ended January 31</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Consulting and other professional fees	\$ 365,352	\$ 226,597	\$ 765,104	\$ 430,783
Filing fees	55,299	19,454	73,561	24,062
Insurance	10,930	-	23,340	-
Marketing and promotion	25,609	628	54,658	628
Office and miscellaneous	42,074	49,986	75,659	70,037
Rent and storage	92,944	63,116	184,585	145,125
Salaries and benefits	336,283	289,691	563,875	547,320
Stock-based compensation (note 5(e))	150,100	438,762	510,889	805,023
Travel	96,352	123,884	185,363	185,383
<b>Total</b>	<b>\$ 1,174,943</b>	<b>\$ 1,212,118</b>	<b>\$ 2,437,034</b>	<b>\$ 2,208,361</b>

**8. COMMITMENTS**

The Company has entered into leases for its facilities in Vancouver and Singapore. The Company has also entered into leases for an apartment for certain employees and a residence for the Chief Executive Officer in Singapore. Minimum required lease payments under these leases are as follows:

2008	296,766
2009	205,822
2010	80,630
	<u>\$ 583,217</u>

**ZECOTEK PHOTONICS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
(Unaudited)  
Six months ended January 31, 2008 and 2007

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**9. SEGMENTED INFORMATION**

The Company has principal operations in Canada and Singapore. Geographic information by country is as follows:

<b>Revenue</b>	<b>Six Months Ended</b>	
	<b>January 31, 2008</b>	<b>January 31, 2007</b>
Canada	\$ -	\$ -
Singapore	132,419	-
Other	-	-
	\$ 132,419	\$ -
<b>Interest income</b>		
Canada	\$ 52,990	\$ 39,025
Singapore	-	-
Other	53	-
	\$ 53,043	\$ 39,025

<b>Property and equipment, at amortized cost</b>	<b>January 31, 2008</b>	<b>July 31, 2007</b>
Canada	\$ 201,690	\$ 26,241
Singapore	992,965	527,316
Other	12,234	13,594
	\$ 1,206,889	\$ 567,151