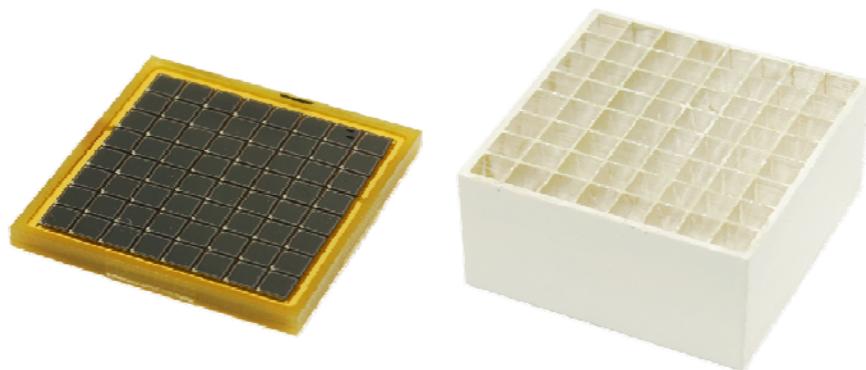




Zecotek Photonics Inc.



MAPD Photo-Detectors



Detector and Scintillator Arrays for PET



Visible Fiber Lasers

Management's
Discussion & Analysis

For the quarter ended
January 31, 2012

Table of Contents

Forward-Looking Statements	<u>33</u>
Company Overview	<u>44</u>
Patent Portfolio	<u>66</u>
Corporate Strategy	<u>77</u>
Recent Business Activities	<u>77</u>
Selected Annual Information	<u>99</u>
Results of Operations	<u>99</u>
Summary of Quarterly Results	<u>1111</u>
Share Capital	<u>1242</u>
Contractual Obligations	<u>1242</u>
International Financial Reporting Standards (“IFRS”)	<u>1313</u>
Additional Information	<u>1414</u>

MANAGEMENT DISCUSSION AND ANALYSIS

April 2, 2012

This Management's Discussion and Analysis ("MD&A") of Zecotek Photonics Inc. (the "Company") is dated April 2, 2012. MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and accompanying notes for the second quarter ended January 31, 2012. The unaudited condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards and comparative periods have been restated in accordance with IFRS, where applicable. The reconciliations from GAAP to IFRS are included in Note 11 and the significant accounting policies are outlined in Note 3 of the accompanying unaudited condensed interim consolidated financial statements. All dollar amounts are expressed in Canadian dollars except where noted. The Company's accounts are maintained in Canadian dollars. The business activities of the Company, carried out through its subsidiaries in Singapore are conducted primarily in Singapore dollars. The rate of exchange on January 31, 2012 as reported by the Bank of Canada, for the conversion of one Singapore dollar into Canadian dollars was \$0.7992.

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.

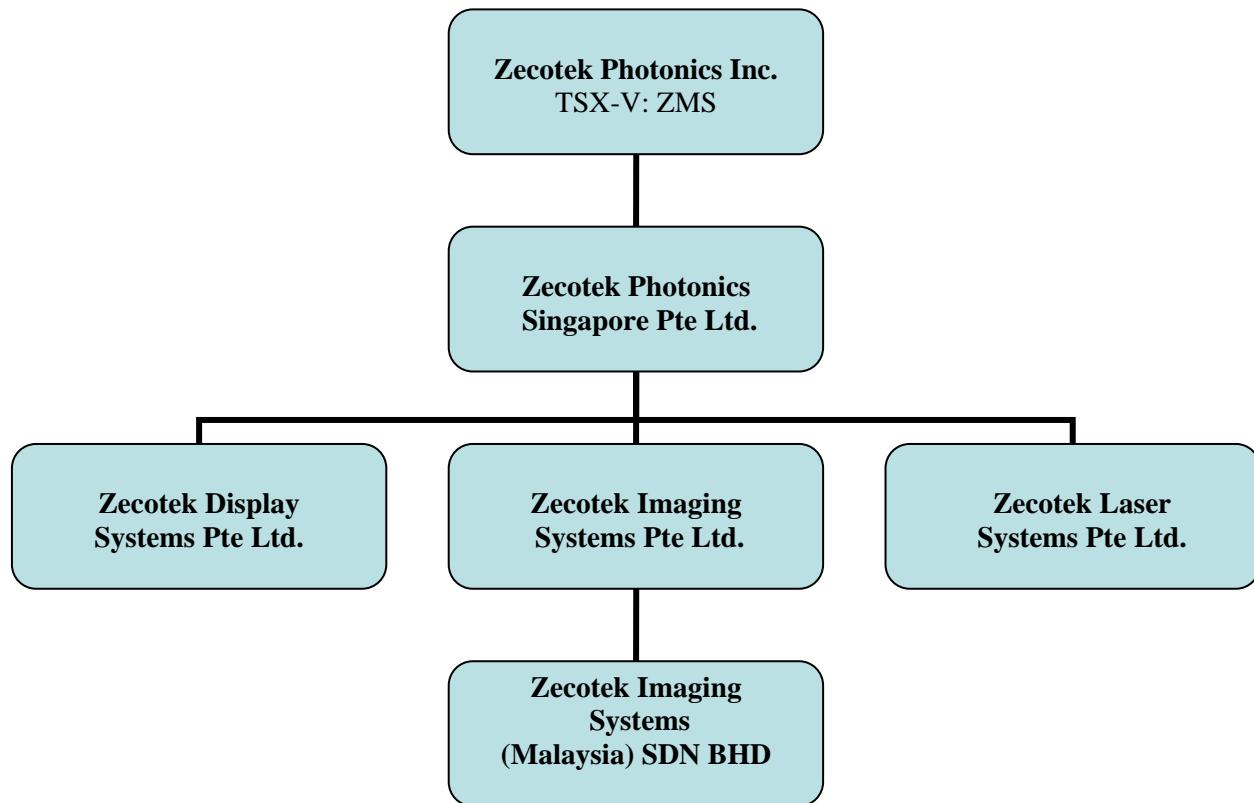
Company Overview

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 January 31, 2012, 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
	7,956,331	27-10-08	US	Granted
PET imaging technologies	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
	12/182,951	30-07-08	PCT, US, CA	Pending
Visible fiber lasers	2006119198	02-06-06	RU	Granted
	11/858,857	20-09-07	PCT, US	Pending
Thin-film waveguide lasers	12/851,427	05-08-10	PCT, US	Pending
	7,944,465	27-02-06	US, CA, AU	Granted
3D displays	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 maintains a balanced mix of internal and external patent administration and devotes a significant effort to the administration of its portfolio, ensuring that any applications are duly filed in appropriate jurisdictions. Zecotek pursues a vigorous program of patent protection of its core technology assets with frequent patent reviews and in February 2012, its wholly owned subsidiary started legal action in United States Federal District Court in Los Angeles against defendants Saint-Gobain Corporation and Philips for infringement of Zecotek's U.S. Patent Number 7,132,060.

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.

Recent Business Activities

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.

In December 2011 the NA61 Experiment at CERN ordered additional third generation Micro-pixel Avalanche Photo Diodes (MAPD-3A). The NA61 Experiment recently completed a 40 day heavy ion experiment with 320 channels of MAPD-3A readout. The conditions within the calorimeter are extreme and during the 40 day heavy ion run the MAPDs did not malfunction.

In November 2011 Zecotek 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.

In November 2011 NuCare Medical Systems of Seoul, Korea ordered Zecotek's patented LFS scintillation crystals and arrays for use in a non-destructive assay system and the development of a new positron emission tomography (PET) system. NuCare is known for its innovation in product design and specialized products in the area of nuclear medical imaging.

Sales/Partnerships

In August 2011 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.

Research & Development

In October 2011 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.

Financings

In September 2011 the Company amended the terms of 5,925,000 warrants issued to subscribers of a private placement which closed October 23, 2009. The Company repriced the exercise price of the subscriber warrants to \$0.65 per common share from the initial exercise price of \$1.00, and extended the expiry from October 23, 2011 to April 23, 2012. The amended warrants 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 \$0.80 per share or higher, the warrant exercise period will be shortened to a period of 30 days. This 30-day period will commence seven calendar days after the tenth Premium Trading Day.

Subsequent Events

On February 23, 2012, Zecotek Imaging Systems Pte Ltd., a wholly owned subsidiary filed legal action in United States Federal District Court in Los Angeles against defendants Saint-Gobain Corporation and Philips for infringement of Zecotek's U.S. Patent Number 7,132,060. The patent covers the substances and chemical formulations used to grow lutetium fine silicate (LFS) scintillation crystals which are characterized by their combined high light yield and ultra-fast decay times and are typically used in medical scanning devices. The lawsuit alleges that Saint-Gobain's LYSO crystals infringe Zecotek's patent, and that Philips infringes by using those crystals in the PET scanners it sells. Due to the fundamental nature of the patent, management believes that the damages caused by the infringement are substantial.

Zecotek was one of five Canadian companies selected to participate in the Canadian Technology Showcase held on Thursday, February 9, 2012 in Vancouver, BC. The Canadian Technology Showcase was organized by Foreign Affairs and International Trade Canada to highlight Canadian technologies for visiting senior executives from Sony Corp. of Japan. Zecotek presented its patented glasses-free 3D display technology.

On February 9, 2012, the Company commercial production status was achieved with its most advanced solid-state Micro-pixel Avalanche Photo Diode (MAPD) photo detectors MAPD-3N. The MAPD-3N detectors are manufactured under contract by the Malaysian Institute of Microelectronic Systems and Omega Semiconductor Sdn Bhd (MIMOS).

In February 2012 Zecotek announced a joint development agreement with NuCare Medical Systems of Seoul, Korea to integrate a high performance positron emission tomography (PET) medical scanning device using Zecotek's patented LFS scintillation crystals, solid-state MAPD photo detectors and a new data acquisition board and readout system. NuCare is known for its innovation in product design and specializes in products in the area of nuclear medical imaging.

Selected Annual Information

The Company's fiscal year end is July 31. Certain of the comparative figures in the following table have been reclassified to conform to the presentation adopted for 2011.

In addition, certain comparative figures below have been restated as a result of the Company adopting International Financial Reporting Standards (IFRS) to allow true comparisons. Revenue and expenses may have changed slightly as a result of IFRS. A reconciliation of GAAP to IFRS is available in Note 11 of the unaudited consolidated interim financial statements for the period ended January 31, 2012.

	Year Ended July 31, 2011	Year Ended July 31, 2010⁽¹⁾	Audited Year Ended July 31, 2009⁽¹⁾
Revenue	\$ 57,659	\$ 67,848	\$ 350,584
Interest income	\$ -	\$ -	\$ 6,176
Net loss for the year	\$ (4,839,714)	\$ (8,088,197)	\$ (4,616,950)
Net loss per share	\$ (0.08)	\$ (0.13)	\$ (0.10)
Total assets	\$ 3,323,166	\$ 508,678	\$ 1,245,276
Total long-term liabilities	\$ 8,889	\$ 15,263	\$ 22,330
Cash dividends declared	Nil	Nil	Nil

(1) Represents Canadian GAAP figures.

Results of Operations

Net Loss

The Company recorded a net loss of \$1,575,349 or \$0.02 per share in the second quarter of 2012, compared with \$235,773 or \$0.01 per share in the same period of 2011, an increase of 568%. The increase is due to an increase in operating, general & administrative expenses.

Revenue

Revenues amounted to \$28,545 in the second quarter of 2012 compared to \$27,180 in the same period in 2011. Current quarter revenues are from the sale of LFS scintillation crystals, MAPD, Wafer run and NRE (imaging division) to major companies and organizations that are increasingly testing its products for potential larger scale ramp-up.

Operating, General and Administrative Expenses

IFRS requires the presentation of expenses in the statement of operations either by nature of expense or by function. This differs from the Company's previously reported statements in accordance with GAAP, which allowed a combination of both. The Company has chosen to present expenses based on the function of each expense rather than the nature of each expense. As a result, stock based compensation, depreciation of capital assets and foreign currency gains and losses are no longer separately presented on the statement of loss and comprehensive loss. Instead, stock based compensation and depreciation of capital expenses have been split between general and administrative expenses and research and development expenses. Foreign exchange gains and losses on translation of foreign operations are now presented as part of other comprehensive loss.

General and administrative ("G&A") expenses amounted to \$1,338,852 in the second quarter of 2012, compared with \$(123,253) in the same period of 2011, representing an increase of 1186%. For the six months ended January 31, 2012 the G&A expenses amounted to \$2,277,917 as compared to \$439,522 for the same period in 2011, representing an increase of 418%.

Increases or decreases in specific categories for the second quarter of fiscal year 2012 are:

1. Consulting and other professional fees –increased 316% from \$(107,334) to \$232,048 primarily due to the restoration of fees that was waived by the consultants in the same period of prior year.
2. Insurance –decreased 67% from \$15,282 to \$5,111 due to policy maintenance and lack of claims.
3. Investor relations and filing fees – increased 172% from \$16,607 to \$45,113 as a result of a change in the investor relation firms' monthly/annual costs.
4. Office and General – increased 87% from \$23,973 to \$44,793 mainly due to moving offices to a new location.
5. Marketing and promotion – increased 888% from \$1,932 to \$19,091. This increase is due to the marketing expenses the company incurs on an ongoing basis.
6. Rent – decreased 39% from \$102,971 to 62,781 due to providing a housing allowance to the CEO instead of renting a house and also cheaper office rent in the new locations.
7. Salaries and benefits –increased 225% from \$(247,607) to \$308,982. The increase was due to the restoration of salaries and providing a housing allowance for the CEO instead of renting a house.
8. Travel –increased 457% from \$12,467 to \$69,442 driven by an overall budget increase for travelling expenses. The Company is increasingly making efforts to market the technologies.

Research and Development Expenses

Research and development ("R&D") expenses amounted to \$265,042 in the second quarter of 2012, compared to \$381,041 in the second quarter of 2011, representing a decrease in costs of 31%. For the six months ended January 31, 2012 the R&D expenses decreased 2% from \$710,152 to \$697,532 in the same period in 2011.

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 \$567,625 in the second quarter of 2012, compared with \$589,640 in the same period of 2011. For the six months of 2012, stock-based compensation amounted to \$930,508 compared to \$678,271 for the same period in 2011. The 37% increase is due to the options granted over time to certain officers, consultants and directors.

Amortization of property and equipment

Amortization expense for the second quarter of 2012 decreased to \$9,155 from \$1,412 in the same period of 2011, an increase of 548%. For the six months ended January 31, 2012, the amortization expense amounted to \$15,588 as compared to \$17,179 reflecting a decrease of 9%. The variances are due to the acquisition of property and equipment (leasehold improvements), accelerated depreciation methods used by the Company and change in foreign exchange rates.

Amortization of patent costs

Amortization expense for the second quarter of 2012 amounted to \$7,243 compared to \$7,009 in the same period of 2011 representing an increase of 3%. For the six months ended January 31, 2012, the amortization expense amounted to \$13,625 as compared to \$13,391 reflecting an increase of 2%. There is not much change in the amortization of patent costs as all the current patent costs incurred are being expensed.

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.

Related party transactions

The Company undertook various transactions with related parties as detailed out in Note 10 of the unaudited consolidated financial statements for the quarter ended January 31, 2012. 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 is a summary of the Company's financial information for the past eight quarters. Certain of the comparative figures in the following table have been reclassified to conform to the presentation adopted for 2011.

Quarters ended (unaudited)	January 31 2012	October 31 2011	July 31 2011	April 30 2011
Revenue	\$28,545	\$1,761	\$28,442	\$2,037
Net loss	\$1,538,736	\$1,410,758	\$2,197,924	\$952,985
Loss per share	\$0.02	\$0.02	\$0.03	\$0.01
Quarters ended (unaudited)	January 31 2011	October 31 2010	July 31 2010	April 30 2010
Revenue	\$27,180	Nil	Nil	\$1,110
Net loss	\$233,508	\$886,896	\$2,903,813	\$1,659,369
Loss per share	\$0.00	\$0.02	\$0.05	\$0.03

Liquidity and Capital Resources

For the quarter ended January 31, 2012, the Company has a net loss of \$1,538,736 and negative cash flow from operating activities of \$1,044,439 compared to a net loss of \$233,508 and negative cash flow from operating activities of \$627,674 for the same period in fiscal year 2011. As a result of recurring losses over the Company's history, the Company has accumulated deficit of \$50,978,329 as at January 31, 2012. The accounts payable and accrued liabilities have decreased to \$2,604,787 as of January 31, 2012 from \$2,722,431 as of January 31, 2011.

Net cash provided by financing activities in the second quarter of fiscal 2012 was 6,074 as compared to \$1,574,836 for fiscal 2011. In 2011, the financing activities consisted mainly of the issuance of shares through a non-brokered private placement. No shares were issued in the second quarter of fiscal year 2012.

Net cash provided by investing activities in the second quarter of fiscal 2012 was negative \$(100,530) as compared to \$153 for the same period in fiscal year 2011. The investment activities include deposit and lease hold improvement.

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

At January 31, 2012 the Company had \$611,475 in cash and cash equivalents, a decrease of \$447,048 over the \$1,058,523 cash and cash equivalents available at January 31, 2011. The consolidated working capital was \$(1,815,288) at January 31, 2012, an increase of \$53,133 over the \$(2,938,811) of consolidated working capital at January 31, 2011. The decrease in working capital mainly resulted from the decrease in cash.

Share Capital

Set out below is the outstanding share data of the Company as at January 31, 2012. For additional details, see Note 4 to the unaudited consolidated interim financial statements for January 31, 2012.

At January 31, 2012	Number outstanding
Common shares	68,451,588
Stock options	11,125,000
Common share purchase warrants	13,448,292
Agent's warrants	956,131

Outstanding options represent a total of 11,125,000 common shares issuable. At January 31, 2012, 8,145,000 of these options were exercisable and would provide proceeds of \$5,490,150 to the Company if all the vested options were exercised in full. The exercise of these options is completely at the discretion of the holders and the Company has no indication that any of these options will be exercised.

At January 31, 2012 the Company had outstanding 13,448,292 common shares purchase warrants of which 5,925,000 are exercisable at \$0.65 per share expiring on April 23, 2012; 1,386,792 are exercisable at \$0.70 per share expiring on November 3, 2012; 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 January 31, 2012 the Company had outstanding 956,131 agent's and finder's warrants; 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.

Contractual Obligations

The following table summarizes the Company's contractual obligations as at January 31, 2012, 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	\$ 72,262	\$ 111,549	\$ 68,393	\$ 28,497	\$ -
Research Contracts	\$ 76,779	\$ 45,934	\$ 50,934	\$ 60,934	\$ 60,934

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.

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 standard also requires that comparative figures for 2010 be based on IFRS. Accordingly, the Company has adopted IFRS for its fiscal year beginning August 1, 2011 with the quarter ended October 31, 2011 having been the first set of consolidated financial statements prepared in accordance with IFRS. Comparative figures for the quarter ended January 31, 2011 have been presented, including an opening balance sheet as at August 1, 2010 reconciled from current Canadian Standards (“GAAP”) to IFRS. The unaudited condensed interim consolidated financial statements, which should be read in conjunction with this discussion, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

The significant accounting policies adopted under IFRS are included in Note 3 to the unaudited condensed interim consolidated financial statements for the quarter ended January 31, 2012. These accounting policies have been applied consistently to all periods presented in the financial statements. They have also been applied in preparing an opening IFRS statement of financial position as at August 1, 2010, the Company’s transition date, as required by IFRS 1. The accounting policies have been selected to be consistent with IFRS as is expected to be effective on July 31, 2012, the Company’s first annual IFRS reporting date. The standards and interpretations within IFRS are subject to change and accordingly, the accounting policies for the annual period that are relevant to these unaudited condensed interim consolidated financial statements will be finalized only when the first full IFRS financial statements are prepared for the year ending July 31, 2012.

Reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS are included in Note 11 to the unaudited consolidated interim financial statements for the quarter ended January 31, 2012.

The Company will continue to deal with the after effects of the implementation of the IFRS; 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.

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 year-end financial statements is available on SEDAR at www.sedar.com.