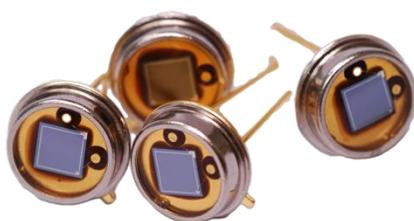


ZECOTEK

Zecotek Photonics Inc.



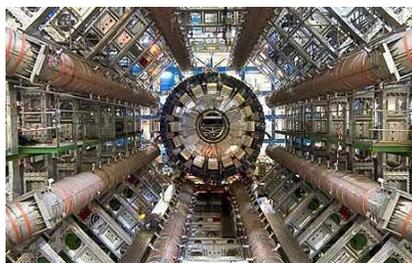
LFS Scintillation Crystals



MAPD Photo-Detectors



Detector and Scintillator Arrays for PET



Components for PET Medical Scanners & the Large Hadron Collider

Management's Discussion & Analysis

For the quarter ended
January 31, 2019

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MANAGEMENT DISCUSSION AND ANALYSIS

April 1, 2019

This Management's Discussion and Analysis ("MD&A") of Zecotek Photonics Inc. (the "Company") is dated April 1, 2019. This MD&A should be read in conjunction with the Company's unaudited consolidated interim financial statements for the six months ended January 31, 2019 and should also be read in conjunction with the audited consolidated financial statements and MD&A for the year ended July 31, 2018. The unaudited interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards. All dollar amounts are expressed in Canadian dollars except where noted. The parent 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 except for Zecotek Imaging Systems Pte Ltd. subsidiaries in China are conducted primarily in China Yuan Renminbi. The rate of exchange on January 31, 2019 as reported by the Bank of Canada, for the conversion of one Singapore dollar (SGD) into Canadian dollars (CAD) was \$0.9767, one China Yuan Renminbi (CNY) into Canadian dollars (CAD) was 0.1961 and one United States dollar (USD) into Canadian dollars (CAD) was \$1.3144.

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. 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 and multi-media.

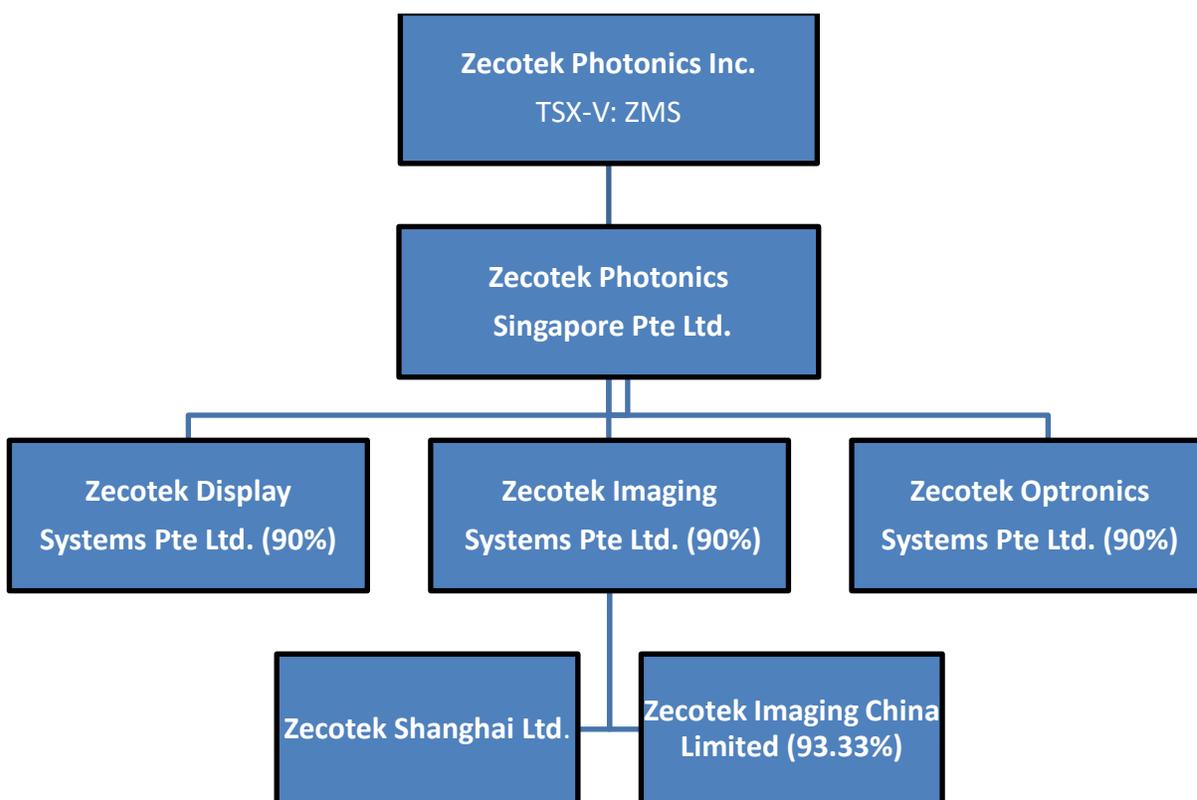
Founded in 2004, the Company has focused on building shareholder value by securing a strong intellectual property portfolio, completing the development of unique technologies for targeted markets and pursuing the optimum commercialization strategy.

Zecotek Photonics Inc. has three operational subsidiary companies: Zecotek Imaging Systems Pte Ltd. (ZIS); Zecotek Display Systems Pte Ltd. (ZDS); and Zecotek Optronics Systems Pte Ltd. (ZOS). All of the subsidiary companies are incorporated in Singapore and owned by Zecotek Photonics Singapore Pte Ltd., a holding company. Zecotek Imaging Systems Pte Ltd. (ZIS) has two operational subsidiary companies: Zecotek Shanghai

Ltd. (ZSL) and a 93.33% joint venture interest in Zecotek Imaging China Limited (ZIC). Each operational subsidiary 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 "W11". The Company's website is www.zecotek.com.

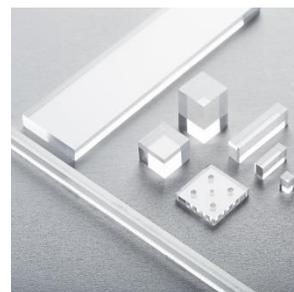
Company Structure as at April 1, 2019



Zecotek Imaging China Ltd. (ZIC)

ZIS is commercializing photonic technologies that offer both superior performance and economic advantages over competing technologies. The LFS crystal and the MAPD/T are central components for high-resolution PET medical scanners for diagnostics and treatment, and high energy physics experiments, such as the Large Hadron Collider at CERN, Switzerland and the Linear Accelerator at Fermi Lab, USA. ZIS is the only organization in the World that owns the three primary elements required for the manufacture of high-resolution PET medical scanning devices: LFS crystal arrays, MAPD photo-detector arrays, and fast electronics. It has developed its own high-performance integrated detector module (IDM) using its own high-performance imaging components.

With the advancement of PET scanning diagnostics and its relevance to early treatment, PET technology has become indispensable to hospitals and clinics worldwide, especially in the fast-growing BRIC economies of Brazil, Russia, India and China. New PET scanning technology requires denser, faster and brighter crystals, and OEMs are looking to Lutetium Oxide based scintillation crystals, compact solid-state photo detectors and faster electronic readout systems for the next generation of PET scanners. Time of Flight configurations allow for higher resolution and silicon based solid-state photo detectors present the possibility of integrating PET and MRI technologies into a single scanning device. Furthermore, major OEMs have recognized the advantages of using fully integrated detector modules made of an array of crystals, an array of photo-detectors, readout electronics and a data acquisition board.



While the adoption of new technologies by OEMs does take time, revenues from the sale of crystals are growing as OEMs and scientific organizations have accepted and endorsed the advantages of Lutetium Oxide based scintillation crystals and other photonic technologies.

With Chinese patents in place and a manufacturing partner based in Beijing, ZIS identified China as an important PET market. In March 2016 a major medical OEM based in China selected LFS scintillation crystals for a new line of high-resolution positron emission tomography (PET) medical imaging devices.



ZIC has also initiated the production and delivery of LFS crystal arrays specifically designed for mini-PET scanning devices, used for the development of pharmaceutical drugs. Small PET scanners work well with existing phototubes but require new, faster and brighter crystals such as the Zecotek's LFS crystals.

ZIS is working 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 of PET module for imaging of specific organs while offering an ideal diagnostic modality. One such device is a cost effective, high resolution neurological PET scanner "NeuroPET" for the detection and treatment of neurological disorders, specifically Alzheimer, Parkinson's and later age Dementia.

The scientific team at ZIS continues to work closely with CERN after the successful test of custom designed LFS-3 plates, due to the LFS-3 plate's density, stopping power, fast decay time, very good energy resolution, and radiation hardness. With a break-through plate design, experiments using LFS-3 plates can benefit from

reduced labour and re-calibration costs associated with single crystal forms and reduced maintenance costs due to fewer interruptions associated with the maintenance and refitting of damaged crystals.

The scientific team continues to advance both crystals and photo detectors and has recently introduced LFS-8 and micro-pixel avalanche photo transistors, MAPT. The LFS-8 early samples have shown a higher performance than its sibling LFS-3, with the LFS-8 being two times faster. The MAPT technology has shown at least 10 times shorter photo-response duration with 10 times as high photo-response signal in comparison to known analogues.

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. ZAS'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.

The Company is involved in discussions with certain major electronics companies to co-develop an OLED/LED (organic light emitting diode) based, flat screen, glasses-free, true 3D HD television. Price point, concerns about visual health, and an overall lack of quality in the current 3D televisions requiring glasses, have all contributed to a declining consumer market. Zecotek's 3D display offers a realistic, HD, glasses free, multi-viewer 3D experience and now OLED/LED based flat screen display technologies are now meeting higher switching speeds necessary to support Zecotek's 3D display technology.

An advanced prototype of the 3D display has been shipped to a group in Russia for integration to a commercial product. A joint venture with the group is being structured, to concentrate on market demand from homeland security including airports, harbours, and government buildings. The program uses realistic 3D screening of hidden objects and precise identification of parts. A software combines all possible combinations of concealed parts to rule out potential weapons or triggers and is being developed for speed of data and images reconstruction.

Zecotek Optronics Systems Pte Ltd. (ZOS)

ZOS is not currently active and the tuneable fiber laser technologies has been moved to ZDS.

Zecotek Key Product Summary

- Patented LFS family of advanced scintillation materials;
- Patent-pending MAPD solid-state high-sensitivity photo-detector (Micro-pixel Avalanche Photo Diode);
- 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 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, 2019, Zecotek owned title to or controlled more than 50 patents and applications.

Zecotek Patents

Key Technology	Patent/App. No	Date Filed	Jurisdiction	Status
3D displays	7,944,465	27-02-06	US, CA, AU	Granted
	8,243,127	27-06-07	US	Granted
	PCT/IB2007/003309	07-11-07	PCT, IN, JP	Pending
	201070065	07-11-07	EA (RU)	Granted
	10-2010-7001958	07-11-07	KR	Granted
	EP 2177041	07-11-07	DE, GB, FR, NL	Granted
	200780100317.0	07-11-07	CN	Granted
	9,076,359	16-05-11	US	Publ. pending
	9,055,288	11-07-12	US	Granted
	PCT/IB2013/000812	15-01-13	PCT, US, JP, EP, CN, IN	Pending
	14/167,512	29-01-14	US	Pending
	14/167,544	29-01-14	US	Pending
LFS scintillation crystals	7,132,060	21-07-05	US	Granted
	2242545	04-11-03	RU	Granted
	PCT/RU2004/000094	12-03-04	PCT, AU, CA, CN, EA, DE, FR, GB, JP, NL	Granted
	1493/KOLNP/2006	12-03-04	IN	Pending
	PCT/CA2013/000349	26-04-13	US, CA, AU, CN, KR, EP, EA, IN, JP	Pending
	14/051,328	10-10-13	US	Pending
	14/272,405	07-05-14	US	Pending
14/295,301	02-10-14	US	Pending	
Semiconductor photo-detectors (MAPD)	2316848	01-06-06	RU	Granted
	PCT/RU2007/000287	31-05-07	PCT, AU, CA, EP, IN, MY	Pending
	148413	31-05-07	SG	Granted
	200780024920.5	31-05-07	CN	Granted
	8,742,543	20-02-08	US	Granted
	5320610	31-05-07	JP	Granted
	5666636	31-05-07	JP	Granted
	10-2008-7032265	31-05-07	KR	Granted
	13/609,136	10-09-12	US	N. of Allowance
	14/292,221	30-05-14	US	N. of Allowance
14/459,136	19-02-15	US	Pending	
PET imaging technologies	7,956,331	27-10-08	US	Granted
	8,003,948 B2*	03-11-08	US	Granted
	PCT/US2008/082273*	03-11-08	PCT, AU, CA, EP, JP, KR, CN	Pending
	13/125,966*	22-10-09	US	N. of Allowance
	8,431,904*	26-10-09	US	Granted
	8,309,932*	18-08-11	US	Granted
	14/195,735	14-09-11	US	N. of Allowance
	13/609,136	10-09-12	US	Pending
	2013-528480	14-03-13	JP	Pending
Visible fibre lasers	12/182,951	30-07-08	PCT, US	Pending
	2006119198	02-06-06	RU	Granted

* Zecotek, as principal financier and development partner of imaging components with the University of Washington, has the exclusive license rights for improved data-processing electronics for new generation PET scanning devices.

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 carefully balanced mix of internal and external patent administration.

Corporate Strategy

Since Zecotek's formation in 2004, 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 ZIS and ZDS with potential divisional sale exit strategy for the divisions.

Recent Business Activities

On November 14, 2018, Zecotek executed a restructuring of its divisions to create two independent operating divisions Zecotek Imaging China Ltd. and Zecotek Display Systems Pte Ltd. The two entities will be each assigned a senior management team and board of directors. Mr. Zelong He and Mr. Richard Chen have been appointed as Chief Financial Officer of Zecotek Imaging China Ltd. and Zecotek Display Systems Pte Ltd. respectively. Zecotek Imaging China Ltd. has initiated a financing due to the high valuation to further strengthen existing patents, expand the LFS Crystal manufacturing facilities. Zecotek Display Systems Pte Ltd. has also initiated a financing round to complete its patented 3D display, specifically designed as an automobile console for telemetry, advertisement and entertainment at the request of four world leading consumer products and car manufacturers.

On September 24, 2018, the Company announced a strategic review focused on optimizing shareholder value. Management believed that current market conditions surrounding the Company's listed securities do not adequately reflect the recent investment backed valuations of its subsidiaries, nor do they reflect the associated underlying value of their respective portfolio of patented and patent pending technologies and products.

On July 24, 2018, Zecotek announced an internal restructuring to better align its intellectual property, photonics technology and business functions across its three operating divisions: Zecotek Imaging Systems Pte. Ltd. (Singapore) and Zecotek Display Systems Pte. Ltd. All operating companies are incorporated in Singapore.

Zecotek China

On September 4, 2018, Zecotek reported the strategy of opening the LFS Crystal Production Facility has generated business and renewed interest from existing and new customers. Several customers inspected the new facility and were impressed by the lab installation of crystal growing ovens. The Company has experienced interest from new customers and renewed interest from existing partners like EBO Optoelectronics, Hamamatsu Photonics and three key PET OEMs.

On August 3, 2018, Zecotek held the grand opening of its LFS Crystal Production Facility in Shanghai, China. A number of local dignitaries and key Chinese and European OEM customers were on hand to meet senior executives and the senior technical team to celebrate the occasion.

On June 11, 2018, Zecotek announced that it is working closely with a tier 1, healthcare OEM based in Europe to assure quality control protocols within its new Lutetium Fine Silicate (LFS) scintillation crystals factory in Shanghai. The OEM has deployed personnel to assist with the setup of the crystal growing facility.

On May 10, 2018, Zecotek Imaging China Ltd. retained the law firm Lexinter Law Group, Shanghai, to safeguard the new manufacturing facility that will produce Zecotek's patented LFS scintillation crystals in China. With ten offices around the world including Hong Kong and Shanghai, the Lexinter Law Group are experts at protecting intellectual property in any jurisdiction.

On May 8, 2018, Zecotek announced its plans to open a wholly owned and operated LFS scintillation crystal factory in Shanghai, China in June 2018. The production factory will focus on meeting the significant production and quality demands of Tier 1 customers in China and Europe and is the result of strong market demand for an integrated production, sales and solutions business model.

On April 5, 2018, the Company announced that Zecotek China had opened an office in the Shanghai Technology Zone.

Shanghai EBO Crystal Assembly Company

On July 10, 2018, Zecotek announced that its recently formed subsidiary, Zecotek Imaging China Ltd. was working with the Shanghai based EBO Optoelectronics Technology Company (EBO) to prepare for the resumption of LFS scintillation crystal delivery from its new LFS Crystal Production Facility.

In March 2017 the Shanghai EBO Crystals Assembly Company was appointed exclusive distributor of its patented LFS scintillation crystals for all sales in China, and EBO agreed to use only LFS scintillation crystals in arrays for all new PET medical scanners. No competing crystals will be used.

In January 2017 Zecotek announced a LFS scintillation crystal supply agreement with the Shanghai based company EBO Optoelectronics. The agreement is to supply over \$21 million worth of scintillation crystals over the next three years. While EBO has taken delivery of only a small fraction of the original amount, the remaining amount is expected to be delivered by 2023. Zecotek will become the main supplier of Lutetium silicate-based scintillation crystals to EBO.

The Shanghai EBO Crystals Assembly Company is the largest crystal array producer and supplier in China.

Sales/Partnerships

On September 11 and 24, 2018, Zecotek announced that it had shipped over US\$225,000 and US\$250,000 worth of its patented LFS scintillation crystals from for a new line of PET medical scanners. The two shipment were custom prepared in accordance to an order organized by a distributor in China. After preparing the shipment, it was returned as it was not allowed to be shipped to the end customer. The end customer was a U.S. government institution, and due to the China-US trade restrictions, we could not complete this order. The distributor is in negotiations with new customers and the crystals and the crystals will be reported as inventory or sales in the coming months.

On June 13, 2018, Zecotek announced the single largest purchase order of US\$5,000,000 for its patented LFS scintillation crystals through a distribution partner in China. The crystals will be used for positron emission

tomography (PET) medical scanning equipment. Due to trade issues between China and the United States this order has been deferred.

On March 15, 2018, Zecotek announced a marketing and distribution agreement with the Shanghai Fortune Techgroup Co. Ltd., a China-based authorized distributor of integrated circuits and related optoelectronic products, to generate sales of its patented LFS crystals to customers in China.

In October 2017 Zecotek announced that a well-established life sciences OEM based in Europe has selected LFS scintillation crystals for a new line of high-resolution positron emission tomography (PET)/ computed tomography (CT) medical imaging devices. Final qualifying phase data has been sent to the OEM, prior to the execution of a long-term supply engagement as the OEM prepares for the introduction of a new line of specialized PET/CT medical systems to be distributed globally.

In October 2017 Zecotek announced that its LFS scintillation crystals have been successfully assessed by the Institute of High Energy Physics (IHEP), the largest research laboratory in Beijing, China. Due to the positive results, IHEP has committed to use LFS crystals in current and future experiments. Contractual discussions for a long-term contract are in process.

In August 2017 Zecotek announced that it has received an order for its patented LFS scintillation crystals from a medical imaging device manufacturer based in the United States for use in a newly developed neuroPET scanner. The U.S. medical imaging manufacturer was not able to secure the cross-border orders from Asia.

Patents

In November 2017 the Chinese State Intellectual Property Office Patent Office issued a certificate of invention for Chinese Patent No. ZL2014800563565 for its solid-state Micro-Channel Avalanche Photodiode/Transistor (MAPD/T) photo detector. The Company continues to strengthen its patent portfolio specific to imaging technology and associated components of positron emission tomography (PET) medical scanners in important jurisdictions like China.

In June 2017 Zecotek Imaging Systems Pte. Ltd., received a notice of allowance in China for its advanced formulation of its patented LFS scintillation crystals. This is the second patent in a series of worldwide, pending patents, for multi-doped lutetium oxide-based scintillators having improved photonic properties, known as, "LFS-M".

Hamamatsu Photonics

Hamamatsu has purchased over \$3 million of LFS scintillation crystal purchase orders for use in PET medical devices. On a monthly basis Zecotek delivers LFS crystals to Hamamatsu for integration in IDM modules for PET medical scanners. While the PET OEMs have committed to take delivery of the crystals, not all have finalized the configuration specifications for the detector modules and therefore a quantity of crystals are awaiting shipment schedules. The crystals boules are being grown at the LFS Crystal Production Facility in Shanghai and are being shipped to Hamamatsu.

Zecotek continues to ship LFS crystals to Hamamatsu for integration in IDM modules for PET medical scanners.

The European Organization for Nuclear Research (CERN)

CERN is one of the world's largest and most respected centres for scientific research and has become a very important partner of Zecotek. In 2013 CERN scientists confirmed the discovery of the Higgs Boson, a new subatomic particle. As CERN pushes into this new frontier of science, new experiments are required to determine the particle's properties and its true form. High energy scintillation crystals with high radiation hardness are paramount for the success of the next stage of experiments and Zecotek's imaging technologies are playing an increasingly important role.

There are six CERN experiments using Zecotek's solid-state MAPD photo detectors:

- The Alice Experiment,
- The NA612 Experiment,
- The Swiss Federal Institute of Technology,
- The Joint Institute for Nuclear Research,
- The Compact Muon Solenoid Experiment,
- The Compass Experiment.

Zecotek and Hamamatsu are also working closely with CERN on the adoption of the LFS crystal as a strong candidate to replace the old material. The LFS's high radiation hardness is a prime and essential feature in the design considerations for the next high energy levels required in the Large Hadron Collider experiments.

3D Displays

Zecotek is working with major European automobile manufacturers to integrate its 3D technology into a brand specific 3D head-up display (HUD) for consumer use. The Company's 3D HUD technology is attractive to leading auto manufactures because it is compact, does not require eye tracking and provides a deeper field of view than existing HUD displays as well as a platform for rich content.

In November 2017 Zecotek announced that a second major European automobile manufacturer will integrate its 3D technology into a brand specific 3D head-up display (HUD) for consumer use. Zecotek's 3D HUD technology is attractive to leading auto manufactures because it is compact, does not require eye tracking and provides a deeper field of view than existing HUD displays as well as a platform for rich content.

In July 2017 Zecotek signed a joint development agreement with one of Germany's leading automobile manufacturers, to develop a brand specific, 3D head-up display (HUD) and entertainment console.

Research & Development & Other Activities

On October 1, 2018 Zecotek initiated the manufacturing of its new generation series of solid-state micro-pixel avalanche photo diodes and transistors (MAPD/T) at the Malaysian Institute of Microelectronics Systems.

On March 12, 2018, Zecotek introduced a novel wireless full duplex single frequency ASIC microchip to be used in conjunction with the solid-state MAPD photo detectors in high resolution positron emission tomography (PET) medical scanners. Healthcare is one of the top five segments of the global application specific integrated circuit market.

Zecotek's LFS crystal enhancement program has shown substantial improvement resulting in a new version of the crystal: LFS-8. The LFS-8 is two times faster than the current LFS-3. OEMs using Zecotek's LFS-3 will be given priority to progress to LFS-8 for higher image resolution.

A newly designed MAPT was introduced as a leading photo sensor contender in areas of time-of-flight optical photo detection. The MAPT technology allows at least 10 times shorter photo-response duration with 10 times as high photo-response signal in comparison to known analogues.

A breakthrough manufacturing process was announced that uses robotics for assembling LFS crystal arrays. The new process results in faster production of the crystal arrays with exceptional accuracy and uniformity.

Debt Settlement

On April 12, 2018, the Company issued 5,799,527 common shares of the Company at a price of \$0.32 per share to settle an aggregate of \$2,974,620 of debt owed to certain creditors to the Company, including directors, employees and third-party consultants, in consideration for the issuance of common shares of the Company. Insiders received a total of 1,938,526 common shares on completion of the debt settlement of \$1,033,880. The disinterested directors of the Company approved the debt settlements with the respective insiders and their associates and affiliates.

Options

On April 10, 2018, the Company granted 15,200,000 stock options to directors, employees and consultants at an exercise price of \$0.36; 50% of the options vested immediately, 25% vested on July 5, 2018 and the remaining 25% vested on October 5, 2018. The options will expire on January 5, 2023.

Financings

On October 4, 2018; the company announced it had raised \$2,000,000 through a divisional equity financing. The financing was originally announced on July 18, 2018, by assigning a 2% equity interest in the company's wholly owned subsidiary, Zecotek Imaging Systems Pte. Ltd. to an industrial business group based in China. Due to a declining share price, the Chinese investment group requested to renegotiate the investment and the parties agreed to make it a loan convertible to shares when the restructuring transaction is finalized.

On April 12, 2018, the Company completed the share subscription agreements. Under the agreements 5,799,527 units of the Company were issued at a price of \$0.32 per unit, towards settlement of \$2,974,620 owed to certain creditors of the Company, including directors, employees and third-party consultants.

On January 31, 2018, Zecotek closed a previously announced divisional equity financing of \$3.8 million in CNY equivalent by selling a 6.67% equity interest in a newly formed, wholly owned subsidiary Zecotek Imaging China Ltd. The Company secured the divisional investment with an industrial business group based in China, which also made a significant investment in a non-brokered private placement.

On January 29, 2018; the Company completed the share subscription agreements for the financing announced on December 29, 2017. Under the agreements, the subscribers purchased 16,103,000 units of the Company at a price of \$0.30 per unit, for gross proceeds of \$4,830,900. Each unit consists of one common share and one share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of \$0.43 per share for a period of 24 months after the date of the private placement. Pursuant to the closing of the financing, the Company paid finder's fees and agents commission of \$98,997.99 and issued non-transferable finder's warrants to purchase 329,993 Common Shares at \$0.43 per share before January 30, 2020.

Selected Annual Information

	Audited Year Ended July 31, 2018	Audited Year Ended July 31, 2017	Audited Year Ended July 31, 2016
Revenue	\$ 202,330	\$ 466,874	\$ 1,487,516
Net loss for the year	\$ (4,972,680)	\$ (3,420,911)	\$ (5,242,204)
Net loss per share	\$ (0.03)	\$ (0.03)	\$ (0.04)
Total assets	\$ 4,253,752	\$ 1,054,372	\$ 803,552
Total long-term liabilities	Nil	Nil	Nil
Cash dividends declared	Nil	Nil	Nil

Results of Operations

Net Loss

The Company recorded a net loss of \$2,538,128 or \$0.01 per share in the second quarter of fiscal 2019, compared with \$733,650 or \$0.01 per share in the same period of 2018, an increase of 71%. A net loss of \$1,263,514 or \$0.01 per share was recorded during the first six months of fiscal year 2019 compared to \$733,650 or \$0.01 per share in the same period of 2018 resulting in an increase of 72%. The operational losses resulted from general and administrative costs such as salaries, consulting fees, travel, rents, various overheads, marketing, engineering development and operating costs at our facilities in Shanghai, China for the production of the Lutetium Fine Silicate (LFS) scintillation crystals.

Revenue

The Company recorded \$231 revenue in the second quarter of 2019 compared to \$8,257 in the same period in 2018, a decrease of 97%. For the first six months of fiscal year 2019, revenues decreased by 100% to \$231 from \$197,572 in the same period of 2018. Revenues are from the sales of LFS scintillation crystals (imaging division) to PET OEMs and scientific organizations that are testing and using our products. Due to specific customer requirements the timing of sales and revenues can fluctuate significantly. The Company has firm commitments for future delivery of crystals.

Subsequent to the quarter end, the Company expects to receive approval from Hamamatsu for the delivery of LFS scintillation boules produced by the LFS Scintillation Crystal Facility in Shanghai, representing thousands of LFS scintillation crystals. The deliveries cannot be booked as revenue until they are examined and qualified by Hamamatsu.

As at January 31, 2019, US\$1.25 million of the US \$2.5 Million order for LFS scintillation crystals had not yet been fulfilled. Hamamatsu made the original order after reaching out to major end users of scintillation crystals, with whom it has had long term supply relationships for its detectors and other imaging components. The main users of scintillation crystals are PET scanning device original equipment manufacturers (OEM), and high

energy physics centers such as CERN. Due to engineering design upgrades and internal integration processes at the OEMs the orders for the scintillation crystals have been delayed. Zecotek and Hamamatsu are working closely with the OEMs, and their scientific teams to expedite the integration process. Zecotek has started delivering preliminary amounts of scintillation crystals to Hamamatsu which are being used in various end user's new designs.

Operating, General and Administrative Expenses

Operating, General and administrative ("G&A") expenses amounted to \$1,076,101 in the second quarter of 2019, compared with \$1,726,524 in the same period of 2018 representing a decrease in costs of 38%. For the first six months of fiscal year 2019, the G&A expenses amounted to \$2,253,122 as compared to \$2,612,683 for the same period in 2018, representing a decrease of 14%.

Increases or decreases in specific categories for the second quarter of 2018 are:

1. Consulting and other professional fees; amounted to \$539,345 in the second quarter of 2019, compared with \$1,586,574 in the same period of 2018, representing a decrease of 66%. For the first six months of fiscal year 2019, the expenses decreased 53% from \$2,134,925 to \$994,030 primarily due to the decrease in the legal expense and management consultancy fees. Also the compensation for the CEO has changed from consultancy fees to salaries and benefits.
2. Salaries and benefits; amounted to \$360,192 in the second quarter of 2019, compared with \$68,375 in the second quarter of 2018, representing an increase of 427%. For the first six months of fiscal year 2019, expenses increased 216% from \$221,227 to \$699,854 due to the compensation for the CEO changing from consultancy fees to salaries and benefits.
3. Travel amounted to \$65,945 in the second quarter of 2019, compared with \$51,903 in the same period of 2018, representing an increase of 27%. For the first six months of fiscal year 2019, travel decreased 2% from \$152,349 to \$148,780. In the current quarter traveling increased however over the six months, it was similar to the prior year.
4. Rent amounted to \$37,217 in the second quarter of 2019, compared with \$40,474 in the second quarter of 2018, representing a decrease of 8%. For the first six months of fiscal year 2019, expenses increased 38% from \$72,300 to \$99,794 due to the rental of the manufacturing facilities in Shanghai, China.

Research and Development Expenses

Research and development ("R&D") expenses amounted to \$180,116 in the second quarter of 2019, compared with \$144,059 in the second quarter of 2018 representing an increase in costs by 25%. For the first six months of fiscal year 2019, the R&D expenses increased 14% from \$242,899 to \$277,709 in the same period of 2018 due to decrease in research expense. The focus of the research and development projects are to meet the specifications required by the OEM and adapting and improving our technologies for different applications demanded by the market.

Amortization of property and equipment

Amortization expense for the second quarter of 2019 increased to \$8,386 from \$3,458 in the same period of 2018, an increase of 188%. For the first six months of fiscal year 2019, the amortization expense amounted to \$9,759; as compared to \$8,209 in the same period of 2018 reflecting an increase of 22%. The variances are due to the accelerated depreciation methods used by the Company and change in foreign exchange rates.

Amortization of patent costs

Amortization expense for the second quarter of 2019 decreased to \$nil from \$3,144 in the same period of 2018 representing a decrease of 100%. For the first six months of fiscal year 2019, the amortization expense amounted to \$nil as compared to \$9,944 representing a decrease of 100% in the same period of 2018. There is not much change in the amount of patent costs as all the current costs incurred are being expensed.

Trade and other payables

Trade and other payables consist of trade payable, wages payable and accrued liabilities.

	January 31, 2019	January 31, 2018
Trade payable, wages payable and accrued liabilities	\$2,119,729	\$ 1,373,390
Wages payable	-	1,294,155
Compensation waivers	-	976,777
Total	\$ 2,119,729	\$ 3,644,322

Related party transactions:

The Company undertook the following transactions with related parties. These transactions were measured at the exchange amounts which are the amounts of consideration established and agreed upon by the related parties.

- (a) During the quarter, the Company incurred salaries and benefits of \$250,054 (2018 - \$50,278) for the President and Chief Executive Officer ("CEO") and fees of \$nil (2018 - \$122,447) for consulting services to a company which outsources the CEO to the Company. At January 31, 2019, \$106,151 (2018- \$111,929) of the salaries and benefits; and \$117,758 (2018 – \$344,997) of the fees were unpaid and included in trade and other payables.
- (b) The Company incurred fees of of \$7,590 (2018 - \$19,500) during the quarter for directors' services. At January 31, 2019, \$nil (2018 - \$258,000) was unpaid and included in trade and other payables.
- (c) The Company incurred fees of \$39,000 (2018 - \$48,300) during the quarter for accounting and related services provided by the Corporate Secretary. At January 31, 2019, \$nil (2018 - \$13,000) was unpaid and included in trade and other payables.

Summary of Quarterly Results

The following table is a summary of the unaudited consolidated operating results of the Company presented in accordance with IFRS for the last eight quarters. Certain of the comparative figures in the following table have been reclassified to conform to the presentation adopted for 2018.

The significant decrease in sales during the quarter ended January 31, 2018 as compared to the quarter ended October 31, 2017 is mainly due to delay in production.

Quarters ended (unaudited)	January 31 2019	October 31 2018	July 31 2018	April 30 2018
Revenue	\$231	\$-	\$1,195	\$3,563
Net loss	\$1,263,514	\$1,274,614	\$1,710,563	\$2,042,777
Loss per share	\$0.01	\$0.01	\$0.01	\$0.01

Quarters ended (unaudited)	January 31 2018	October 31 2017	July 31 2017	April 30 2017
Revenue	\$8,257	\$189,315	\$41,562	\$211,637
Net loss	\$733,650	\$485,690	\$(195,067)	\$1,108,734
Loss per share	\$0.01	\$0.01	\$0.00	\$0.01

Liquidity and Capital Resources

At January 31, 2019 the Company had \$2,947,967 in cash and cash equivalents, compared to 3,106,021 as at January 31, 2018. The consolidated working capital deficiency was \$3,473,442 at January 31, 2019 compared to \$1,923,344 as at January 31, 2018. The working capital decreased due to the increase in the customer deposit and the trade and other payables.

For the six months ended January 31, 2019, the Company had a net loss of \$2,538,128 and negative cash flow from operating activities of \$3,637,663 compared to a net loss of \$1,219,340 and negative cash flow from operating activities of \$3,067,061 for the same period in fiscal year 2018. As a result of recurring losses over the Company's history, the Company has accumulated deficit of \$92,048,568 as at January 31, 2019. The accounts payable and accrued liabilities have increased to \$2,119,729 as of January 31, 2019 compared to \$3,644,322 as of January 31, 2018.

Net cash provided by financing activities for the six months ended January 31, 2019, was \$4,000,612 compared to \$5,667,877 for the same period of fiscal 2018. The financing activities consisted of investment received for the equity interest in the subsidiary.

The Company has suffered recurring losses from operations and currently 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.

The Company has disclosed in Note 1(b) to the financial statements that there was substantial doubt as to the ability to continue as a going concern.

Management of the Company believes that it will be successful in meeting its business objectives and raising additional funds through private placements and sales revenue.

Share Capital

Set out below is the outstanding share data of the Company as at April 1, 2019. For additional details, see Note 6 of the interim consolidated financial statements for January 31, 2019.

At April 1, 2019	Number outstanding
Common shares	164,932,675
Stock options	16,985,000
Common share purchase warrants	31,699,689
Agent's warrants	744,145

At April 1, 2019; 16,985,000 options were exercisable and would provide proceeds of \$6,721,500 to the Company if all the vested options were exercised in full. The exercise of these options is completely at the discretion of the holders and the Company has no indication that any of these options will be exercised.

At April 1, 2019 the Company had outstanding 31,699,689 common shares purchase warrants of which 2,432,673 are exercisable at \$0.53 per share expiring on November 5, 2019; 3,084,000 are exercisable at \$0.53 per share expiring on December 15, 2019; 1,866,667 are exercisable at \$0.43 per share expiring on April 27, 2019; 3,995,000 are exercisable at \$0.43 per share expiring on July 26, 2019; 4,188,350 are exercisable at \$0.43 per share expiring on August 14, 2019 and 16,102,999 are exercisable at \$0.43 per share expiring on January 29, 2020.

At April 1, 2019 the Company had outstanding 744,145 agent's or finder's warrants of 150,650 are exercisable at \$0.43 per share expiring on July 26, 2019; 150,335 are exercisable at \$0.43 per share expiring on August 14, 2019; 329,993 are exercisable at \$0.43 per share expiring on January 29, 2020 and 113,167 are exercisable at \$0.30 per share expiring on April 27, 2019.

Subsequent Events

- (a) On March 17, 2019; 1,255,000 shareholders warrants expired.
- (b) On March 17, 2019; 46,900 finder warrants expired.
- (c) ZIS offered a 2% equity interest in ZIS in exchange for USD 1.5 million. The funds have been received but due to a declining share price, the Chinese investment group requested to renegotiate the investment and the parties agreed to make it a loan convertible to shares when the restructuring transaction is finalized. An additional USD 1.5 million was invested by the same investor during the quarter for an increase in equity interest. The terms have not been finalized to date.
- (d) Subsequent to the quarter end, Zecotek Holdings Singapore Pte. Ltd., of which Dr. Zerrouk is a majority shareholder is in the process of converting its preferred shares in ZDS, ZIS and ZOS to 10% of the issued common shares of each subsidiary, pursuant to a Share Purchase Agreement in 2006..
- (e) Subsequent to the quarter end, the Company expects to receive approval from Hamamatsu for the delivery of LFS scintillation boules produced by the LFS Scintillation Crystal Facility in Shanghai, representing thousands of LFS scintillation crystals. The deliveries cannot be book as revenue until they are examined and qualified by Hamamatsu.

Financial Instruments

- (a) Fair value:

The Company's financial instruments consist of cash and cash equivalents, trade receivables, advances to employees, restricted investments, trade and other payables and short-term loan. The fair values of all the financial instruments approximate carrying value because of the short-term nature of these instruments.

- (b) Financial risk management:

The Company primarily has exposure to credit risk, foreign exchange rate risk, interest rate risk, and liquidity risk.

- (i) Credit risk:

Financial instruments that potentially subject the Company to concentration of credit risks include cash and restricted short-term investments. The Company places its cash and restricted short-term investments with high credit quality financial institutions. Short-term investments are generally held in fixed rate securities. Concentration of credit risks with respect to receivables is limited.

- (ii) Foreign currency risk:

The Company is exposed to foreign exchange rate when the Company undertakes transactions and hold assets and liabilities in currencies other than its functional currencies. The Company currently does not use derivative instruments to hedge its exposure to those risks

- (iii) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Restricted investments with fixed interest rates include guaranteed investment certificates with original maturities of greater than three months expose the Company to interest rate risk. The Company does not use financial instruments to mitigate this interest rate risk.

(iv) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company currently settles its financial obligations using cash and cash equivalents. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Trade and other payables have contractual maturity of 6 months or less.

Contractual Obligations

The following table summarizes the Company's contractual obligations as at July 31, 2018 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:

	2019	2020	2021	Total
Rental leases	\$ 129,240	\$ 248,138	\$ 138,408	\$ 515,786

Purchase orders for fourth 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.

On June 26, 2013 Zecotek Photonics Inc. entered into an agreement with Invention Development Management Company, LLC for collaboration on intellectual property strategy, including the sourcing, development and monetization of new invention related to photonics. The agreement will also provide the company with the opportunity to licence IP and technologies from IDMC's own portfolio of photonics related inventions and patents created with its network of inventors.

Joint Venture

During the year, ZIS established a joint venture company, ZICL, in Shanghai, China with a arm's length party, Jilin Yuyang Technology Development Co., Ltd ("Jilin Yuyang"). As at October 31, 2018, ZICL has received capital injection of CNY 20,000,000 from Jilin Yuyang. In return, Jilin Yuyang owns 6.67% interest in ZICL. In addition, ZICL signed a service agreement with Jilin Yuyang, which Jilin Yuyang's capital contribution in ZICL and its 6.67% share of the net loss in ZICL are recorded in non-controlling interest (Note 15 of the Company's audited annual consolidated financial statements for the year ended July 31, 2018).

Changes in Accounting Policies

Refer to the Company's audited annual consolidated financial statements for the year ended July 31, 2018, note 3 for recently adopted and future accounting pronouncements.

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 four members, Zelong He, Canada., Erich Sager (independent), Switzerland, Dr. Sergey Tsakunov (independent), Russian Federation and Dr. A.F Zerrouk (CEO). Mr. He is the Chairman of the Audit Committee.

Zelong He is a member of Chartered Professional Accountants Association of British Columbia with a Master of Science, Finance degree from Simon Fraser University and Bachelor of Commerce Degree with Distinct from University of Saskatchewan. 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. Sergey Tsakunov graduated from Moscow State University and holds a Ph.D. in Economics from the same university. For many years he was the head of the key investment promotion institution of the Government of the Russian Federation – Foreign Investment Promotion Center of the Ministry of Economy of Russia. Mr. Erich Sager has held the position of Founding Partner and Chairman of Holding TwentyOne AG, a Swiss-based consulting firm since 2009. Mr. Sager is a Swiss citizen and holds a business degree from the School of Economics and Business Administration in Zurich, Switzerland.

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