

# **Nuvolt Corporation Inc.**

Consolidated Interim Financial Statements  
As at February 28, 2010 and 2009

NOTICE: The interim consolidated financial statements have not been subject to a review by the Company's external auditors.

# Nuvolt Corporation Inc.

## CONSOLIDATED INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Unaudited)	Second quarter Ended February 28		Six-month period Ended February 28	
	2010	2009	2010	2009
GROSS REVENUE	\$ 177,748	\$ 428,880	\$ 544,225	\$ 1,095,567
COST OF GOODS SOLD	157,265	215,959	385,426	524,768
GROSS PROFIT	20,483	212,921	158,799	570,799
OTHER OPERATING EXPENSES				
Research & Development expenses, net	-	-	11,229	-
Selling expenses	224,216	184,396	411,555	336,285
Administrative expenses	201,525	128,542	427,092	256,481
Financial expenses	47,753	47,787	80,399	87,377
	473,494	360,725	930,275	680,143
INCOME (LOSS) FROM OPERATIONS	(453,011)	(147,804)	(771,476)	(109,344)
OTHER ITEMS				
Interest income	-	-	-	41
Gain (loss) in exchange rate	1,894	12,318	1,036	43,739
Government contribution	-	10,988	-	13,573
	1,894	23,306	1,036	57,353
INCOME (LOSS) BEFORE INCOME TAXES	(451,117)	(124,498)	(770,440)	(51,991)
INCOME TAXES				
Current	-	-	-	-
NET INCOME (NET LOSS) AND COMPREHENSIVE INCOME	\$ (451,117)	\$ (124,498)	\$ (770,440)	\$ (51,991)
Earning per share (Note 23)				
Net income, non-diluted and diluted per share	\$ (0.0071)	\$ (0.0024)	\$ (0.0122)	\$ (0.0010)

Additional information to the statement of income (Note 6)

The accompanying notes are an integral part of these consolidated interim financial statements.

## Nuvolt Corporation Inc.

CONSOLIDATED INTERIM STATEMENTS OF DEFICIT (Unaudited)	Second quarter Ended February 28		Six-month period Ended February 28	
	2010	2009	2010	2009
<b>BALANCE</b> , beginning of period	\$ (7,242,811)	\$ (6,348,470)	\$ (6,923,488)	\$ (6,420,977)
Net income (net loss) and comprehensive income	(451,117)	(124,498)	(770,440)	(51,991)
<b>BALANCE</b> , end of period	\$ (7,693,928)	\$ (6,472,968)	\$ (7,693,928)	\$ (6,472,968)

The accompanying notes are an integral part of these consolidated interim financial statements.

# Nuvolt Corporation Inc.

## CONSOLIDATED INTERIM BALANCE SHEETS

As at February 28,  
2010  
(Unaudited) August 31,  
2009  
(Audited)

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### ASSETS

#### CURRENT ASSETS

Cash	\$ 17,665	\$ 48,819
Accounts receivable (Note 7)	530,630	418,989
Inventories (Note 8)	274,007	272,169
Prepaid expenses	29,292	6,884
	<hr/>	
	851,594	746,861
NOTES RECEIVABLE (Note 9)	8,391	8,391
CAPITAL ASSETS (Note 10)	135,692	58,754
INTANGIBLE ASSETS (Note 11)	167,760	158,841
DEFERRED DEVELOPMENT COSTS (Note 12)	1,864,328	1,326,709
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	\$ 3,027,765	\$ 2,299,556

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The accompanying notes are an integral part of these consolidated interim financial statements.

# Nuvolt Corporation Inc.

## CONSOLIDATED INTERIM BALANCE SHEETS

As at February 28,  
2010  
(Unaudited) August 31,  
2009  
(Audited)

### LIABILITIES

#### CURRENT LIABILITIES

Bank overdraft	\$	-	\$	2,345
Bank loan (Note 13)		115,000		40,000
Accounts payable (Note 14)		625,459		256,859
Deferred revenue		3,884		17,354
Current portion of long-term debt (Note 15)		525,981		213,748
Current portion of debenture (Note 16)		48,000		241,537

**1,318,324** 771,843

LONG-TERM DEBT (Note 15) **383,006** 1,391,537

DEBENTURE (Note 16) **318,197** 129,860

**2,019,527** 2,293,240

#### SHAREHOLDERS' EQUITY (DEFICIENCY)

Capital stock (Note 17)	6,518,534	5,377,565
Stock options (Note 19)	307,973	164,293
Warrants (Note 20)	575,542	114,462
Contributed surplus (Note 21)	1,300,117	1,273,484
Deficit	(7,693,928)	(6,923,488)

**1,008,238** 6,316

**\$ 3,027,765** \$ 2,299,556

### COMMITMENTS (Note 22)

The accompanying notes are an integral part of these consolidated interim financial statements.

# Nuvolt Corporation Inc.

## CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Unaudited)	Second quarter Ended February 28		Six-month period Ended February 28	
	2010	2009	2010	2009
<b>OPERATING ACTIVITIES</b>				
Net income (net loss) and comprehensive income	\$ (451,117)	\$ (124,498)	\$ (770,440)	\$ (51,991)
Items not affecting cash				
Amortization of capital assets	9,712	4,805	16,852	9,609
Amortization of intangible assets	877	440	1,562	879
Amortization of deferred development expenses	(41)	(2,187)	(81)	(4,375)
Interest capitalized on long-term debt	-	5,109	-	11,023
Interest capitalized on debenture	9,166	12,289	18,800	23,039
Stock-based compensation	87,062	1,577	211,708	8,313
	<b>(344,341)</b>	<b>(102,465)</b>	<b>(521,599)</b>	<b>(3,503)</b>
Net change in non-cash working capital items (Note 24)	295,925	102,157	353,643	164,486
	<b>(48,416)</b>	<b>(308)</b>	<b>(167,956)</b>	<b>160,983</b>
<b>INVESTING ACTIVITIES</b>				
Acquisition of capital assets	(68,938)	(20,008)	(93,790)	(19,758)
Acquisition of intangible assets	(3,165)	(6,028)	(10,481)	(11,929)
Increase in deferred development expenses	(404,041)	(59,816)	(537,537)	(293,320)
Research and development tax credits	(94,921)	(17,867)	(134,795)	(88,213)
	<b>(571,065)</b>	<b>(103,719)</b>	<b>(776,603)</b>	<b>(413,220)</b>
<b>FINANCIAL ACTIVITIES</b>				
Change in bank loan	115,000	(40,000)	75,000	(50,000)
Change in note payable to a shareholder	50,000	150,000	-	275,000
Additional funding	-	-	1,565,050	-
Change in long-term debt	39,340	(2,621)	(696,300)	60,880
Repayment of debenture	(12,000)	(12,000)	(28,000)	(24,000)
	<b>192,340</b>	<b>95,379</b>	<b>915,750</b>	<b>261,880</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(427,141)</b>	<b>(8,648)</b>	<b>(28,809)</b>	<b>9,643</b>
CASH AND CASH EQUIVALENTS, beginning of period	444,806	9,633	46,474	(8,658)
<b>CASH AND CASH EQUIVALENTS, end of period</b>	<b>\$ 17,665</b>	<b>\$ 985</b>	<b>\$ 17,665</b>	<b>\$ 985</b>
Cash and cash equivalents of the Company include:				
Cash	\$ 17,665	\$ 985	\$ 17,665	\$ 985
Bank overdraft	-	-	-	-
	<b>\$ 17,665</b>	<b>\$ 985</b>	<b>\$ 17,665</b>	<b>\$ 985</b>

Cash flows related to operating activities include interest payments of \$20,923 (2009 - \$19,238)

The accompanying notes are an integral part of these consolidated interim financial statements.

# NUVOLT CORPORATION INC.

## Notes to interim consolidated financial statements

As at February 28, 2010 and 2009

### 1 - STATUTES OF INCORPORATION AND NATURE OF ACTIVITIES

The Company, incorporated under Part 1A of the Québec Companies Act, manufactures and distributes stray voltage neutralization equipment and electrical network monitoring devices to agriculture market.

### 2 - GOING CONCERN ASSUMPTION

These interim financial statements have been prepared in accordance with accounting principles applicable to a going concern, which assumes that the Company will continue its operation in the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company incurred significant operating loss during the past year and has an accumulated deficit as at February 28, 2010. As a result, its ability to continue as a going concern depends on the financial support of its creditors and shareholders, as well as the Company's ability to generate an operating profit. The Company is currently seeking new

These interim financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. Management feels that the measures the Company took or intends to take will mitigate the effect of the conditions and facts that raise doubt about the appropriateness of the going concern assumption on which it based the preparation of these financial statements.

If the Company were not able to respect the going concern principle, some assets could be subject to impairment or a significant reduction in value.

### 3 - CHANGES IN ACCOUNTING POLICIES

#### Goodwill and intangible assets

The Canadian Institute of Chartered Accountants issued Section 3064 "Goodwill and intangible assets", replacing Section 3062 "Goodwill and other intangible assets" and Section 3450 "Research and development costs". These standards apply to financial years beginning on or after October 1, 2008. Accordingly, the Company adopted these standards for the financial year ending August 31, 2010. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. These changes had no impact on the amounts recognized in the financial statements.

### 4 - SIGNIFICANT ACCOUNTING POLICIES

#### Principle of consolidation

The consolidated interim financial statements include the accounts of the Company and its subsidiary Agrivolt Inc.

#### Interim financial information

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the interim financial statements and the reported amounts of revenues and expenses during the reporting quarter. Actual results could differ from those estimates.

#### Currency translation

Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date, whereas other assets and liabilities are translated at the rates in effect at the date of the transaction. Revenue and expense items are translated at the average quarter rate, except for amortization, which is translated at his historical cost. All exchange gains and losses are current in nature and are included in the statements of income.

# NUVOLT CORPORATION INC.

## Notes to interim consolidated financial statements

As at February 28, 2010 and 2009

### 4 - SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Revenue recognition

The principal revenues of the Company are equipment sales and maintenance revenues. Revenues are recognized when the following conditions are respected :

- Persuasive evidence of an arrangement exists ;
- The seller's price to the buyer is fixed or determinable.

The Company accounts for its equipment sales when the customer has confirmed its acceptance of the equipment or at the end of the satisfaction guarantee period and when the collection is reasonably assured.

The maintenance revenues are accounted for on a straight-line basis over the contract period. The amounts billed or received according to the terms of the contract with customers, that are not satisfying those accounting criterias, are recognized as deferred revenues.

Where an agreement provides from multiple deliverables, the Company allocates the proceeds of the sale between the various components according to the relative value method.

The interest income are accounted for according to the actual method.

#### Income taxes

The Company accounts for as income tax expense or revenue the amount of income taxes payable or recoverable for the year and the change of the future income tax assets and liabilities accounts based on current income tax rate applied to temporary difference between the carrying value of the Company's assets and liabilities and their tax base. A future income tax asset is accounted for when it is more likely than not that the Company will benefit from the tax relief related to deductible temporary differences.

#### Financial assets and financial liabilities

Financial assets and financial liabilities are initially recognized at fair value and classified in one of the following categories: held-for-trading financial assets or liabilities, investments held-to-maturity, loans and receivables, available-for-sale financial assets and other financial liabilities. They are subsequently recognized according to their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired.

##### *Held-for-trading financial assets*

Financial instruments, which include cash and the bank overdraft, are classified as held-for-trading financial assets and are recognized at fair value at each balance sheet date. Any change in fair value is included in net income during the period in which it arises.

##### *Held-for-maturity investments and other financial liabilities*

Financial instruments classified as loans and receivables, including the guaranteed investment certificate and other financial liabilities, including bank loan, accounts payable, long-term debt, and the debenture are recognized at amortized cost using the effective interest rate method. Interest income or expense is included in net income over the expected term of the instrument.

# NUVOLT CORPORATION INC.

## Notes to interim consolidated financial statements

As at February 28, 2010 and 2009

### 4 - SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Inventory

Raw materials are valued at the lower of cost and replacement cost, the cost being determined using the first in, first out method. Finished goods and goods in process inventories are valued at the lower of cost (including raw materials, direct labour and manufacturing overhead) and net realizable value, the cost being determined using the first in, first out method.

#### Capital assets

Capital assets are accounted for at cost.

Amortization is based on their estimated life using the following methods and rates:

	Méthode d'amortissement	Taux
Reference works	straight-line	33.33%
Tools and equipment	straight-line	20%
Data processing equipment and software	straight-line	33.33%
Commercial booths	straight-line	33.33%
Rolling stock	diminishing balance	30%
Furniture and fittings	straight-line	12.5% and 20%

#### Intangible assets

Intangible assets are accounted for at cost.

Amortization is based on their estimated life using the straight-line method at the rate of 10%

#### Deferred expenses

Research and development costs are expensed as incurred. However, development expenses are deferred when they meet generally accepted criterias for deferral up to the amount that is reasonably certain to be recovered. Deferred development expenses are amortized on a straight-line basis over a five-year period.

Investment tax credits for research and development expenses and government assistance are recognized in deduction in the period when the cost is incurred, on condition that the Company is reasonably certain of the materialization of the credits. Investment tax credits must be examined and approved by the fiscal authority in a way that the amount accepted may differ of the accounted amount.

#### Impairment of long-lived assets

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds the undiscounted cash flows expected to result from their use and eventual disposition. An impairment loss should be measured as the amount by which the carrying amount of a long-term asset exceeds its fair value. No impairment loss was recognized as at February 28, 2010 and 2009.

#### Products warranties

The equipment sold are covered by a one year warranty. Estimated warranty repairs are accounted for by the Company at the time of sale of the products under warranty based on their past experience.

# NUVOLT CORPORATION INC.

## Notes to interim consolidated financial statements

As at February 28, 2010 and 2009

### 4 - SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Issuance costs

Share issuance costs have been applied against retained earnings.

#### Stock-based compensation and other stock-based products

The Company offers a stock-based compensation plan that is described in Note 19. The Company recognizes as an expense in the statements of income the fair value of the stock options at the grant date. Any consideration paid by employees on exercise or purchase of stock options is credited to share capital. Compensation expense for options granted under the stock option plan is recognized on a straight-line basis over the vesting period of the options. The value allocated to the stock options is transferred to capital stock once the common shares are issued.

#### Cash and cash equivalents

The Company's cash and cash equivalents include cash and highly liquid financial instruments, with an initial term of three months or less.

### 5. FUTURE CHANGES TO SIGNIFICANT ACCOUNTING POLICIES

#### International financial reporting standards

The Accounting Standards Board (ASB) has published an exposure draft proposing the adoption of IFRS for the recognition and presentation of financial information of publicly accountable enterprises. These standards would replace current generally accepted accounting principles and would take effect for years beginning on or after January 1, 2011. The Company is currently evaluating the future impact of these new standards on its commercial operations, financial information systems and financial statements.

### 6. ADDITIONAL INFORMATION TO THE STATEMENT OF INCOME

The income statement includes the following items:

	February 28, 2010 (3 months)	February 28, 2009 (3 months)	February 28, 2010 (6 months)	February 28, 2009 (6 months)
Amortization of capital assets	\$ 9,712	\$ 4,805	\$ 16,852	\$ 9,609
Amortization of intangible assets	\$ 877	\$ 440	\$ 1,562	\$ 879
Amortization of deferred development costs	\$ (41)	\$ (2,187)	\$ (81)	\$ (4,375)
Stock-based compensation	\$ 87,062	\$ 1,577	\$ 211,708	\$ 8,313
Interests on long-term debt and debenture	\$ 30,089	\$ 31,528	\$ 56,637	\$ 62,741
Interests on short-term debt	\$ 4,564	\$ 6,790	\$ 10,662	\$ 15,166

# NUVOLT CORPORATION INC.

## Notes to interim consolidated financial statements

As at February 28, 2010 and 2009

### 7 - ACCOUNTS RECEIVABLE

	February 28, 2010	August 31, 2009
	\$	\$
Trade	171,886	262,289
Security deposit	7,832	6,323
Travelling expenses advances, without interest	691	5,753
Advances to shareholders, without interest	3,200	3,200
Commodity taxes	82,950	12,148
Research and development tax credits*	264,071	129,276
	<b>530,630</b>	<b>418,989</b>

\*Research and development tax credits related to the fiscal year 2008-2009, in the amount of \$129,276, have received approval by tax authorities.

### 8 - INVENTORIES

	February 28, 2010	August 31, 2009
	\$	\$
Raw materials	121,658	107,143
Goods in process	51,457	67,678
Finished goods	100,892	97,348
	<b>274,007</b>	<b>272,169</b>

### 9 - NOTES RECEIVABLE

	February 28, 2010	August 31, 2009
	\$	\$
Notes receivable from shareholders, without interest, maturing upon dividend payment	8,391	8,391

### 10 - CAPITAL ASSETS

	February 28, 2010		August 31, 2009	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Reference works	71,824	71,824	-	-
Tools and equipment	208,354	195,918	12,436	15,800
Data processing equipment and software	79,618	63,447	16,171	10,263
Commercial booths	70,230	21,010	49,220	18,110
Rolling stock	71,949	25,649	46,300	5,350
Furniture and fittings	69,074	57,510	11,564	9,231
	<b>571,050</b>	<b>435,358</b>	<b>135,692</b>	<b>58,754</b>

# NUVOLT CORPORATION INC.

## Notes to interim consolidated financial statements

As at February 28, 2010 and 2009

### 11 - INTANGIBLE ASSETS

	February 28, 2010		August 31, 2009	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Patents	202,952	35,192	167,760	158,841

During the quarter, the Company incurred \$ 3,165 (2009 - \$ 6,028) for patents. Amortization of these assets for the quarter represents \$ 877 (2009- \$ 440)

Intangible assets of a cost of \$ 131,752 (2009- \$ 106,666) were not amortized. The non amortized amounts are incurred for the filling of patents for which the Company has not yet received final approval.

### 12 - DEFERRED DEVELOPMENT COSTS

	February 28, 2010		August 31, 2009	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Deferred development costs	2,192,188	327,860	1,864,328	1,326,709

During the quarter, the Company incurred deferred development costs charges of \$ 498,962 (2009 - \$ 77,683) and recognized research and development tax credits of \$ 94,921 (2009- \$ 17,867). As at February 28, 2010, the deferred development costs of a cost, net of research and development tax credits and government contributions, of \$ 1,936,291 (2009-\$ 1,294,480) were not amortized.

### 13 - BANK LOAN

The Company has available credit facility amounting \$ 250,000, bearing interest at the bank prime rate plus 3%, secured by accounts receivable and by inventories. The credit facility is renewable on December 31, 2010.

As at February 28, 2010, \$ 115,000 of credit facility was used and a letter of credit for a total amount of \$ 10,000 expiring January 16, 2011 had been issued.

Under the terms of the credit agreement, the Company must comply with a debt covenant relating to the maintenance of a financial ratio. As at February 28, 2010, the Company was not in compliance with this debt covenant.

### 14 - ACCOUNTS PAYABLE

	February 28, 2010	August 31, 2009
	\$	\$
Accounts payable and accrued liabilities	533,151	162,371
Salaries and commitment fees	87,120	62,283
Provision for warranties	5,117	7,205
Customer deposits	71	25,000
	<b>625,459</b>	256,859

# NUVOLT CORPORATION INC.

## Notes to interim consolidated financial statements

As at February 28, 2010 and 2009

### 15 - LONG-TERM DEBT

	February 28, 2010	August 31, 2009
	\$	\$
Note payable, without interest, repayable in one instalment of \$185,000 on June 2010 and one of \$183,975 on January 2011, secured by all the Company's present and future assets, included tax credits recoverable on years 2010 and 2011	<b>368,975</b>	368,975
Note payable to Investissement Quebec, of a originally amount of \$458,333, plus capitalized cost, at the prime rate to the prime rate plus 2.75 %, secured by a floating load on the assets present and future, payable in monthly instalments of \$1,295 until July 2010, in monthly instalments of \$2,799, maturing from December 2015 to April 2016 <sup>(a) (b)</sup>	<b>349,379</b>	351,977
Note payable, without interest, repayable in annual instalments of \$7,281, maturing in October 2009 <sup>(c)</sup>	-	7,507
Notes payable, 11 %, repayable in monthly instalments of \$652 including principal and interest, maturing from December 2008 to October 2009	-	858
Note payable, secured by a rolling stock with a net value of \$4,547, without interest, repayable in monthly instalments of \$485, maturing in October 2009	-	968
Note payable, secured by a rolling stock with a net value of \$41,753, without interest, repayable in monthly instalments of \$ 1,195, maturing in November 2012	<b>40,633</b>	-
Amounts due to directors, without interest and repayment terms	<b>50,000</b>	500,000
Notes payable to directors, 12%, repayable in one instalment, maturing in September 2010	<b>100,000</b>	375,000
Subtotal	<b>908,987</b>	1,605,285
Current portion	<b>525,981</b>	213,748
	<b>383,006</b>	1,391,537

Long-term debt principal repayments for the next five years are as follow:

2010-	\$ 303,816
2011-	\$ 260,356
2012-	\$ 76,381
2013-	\$ 66,820
2014-	\$ 62,040

a) In addition to the monthly payments, the Company will have to carry out beginning February 28, 2013 a return of capital annually corresponding to 20% of the generated net funds of the Company.

# NUVOLT CORPORATION INC.

## Notes to interim consolidated financial statements

As at February 28, 2010 and 2009

### 15 - LONG-TERM DEBT (continued)

b) Under the terms of the credit agreement, the Company must comply with financial ratios. As at February 28, 2010, the Company was not in compliance with these ratios.

c) This note payable is made out in US dollars and represents US \$ 0 (2009 - US\$ 7,281).

### 16 - DEBENTURE

	February 28, 2010	August 31, 2009
	\$	\$
Debenture, non guaranteed and non convertible, nominal rate of 15%, implicate rate of 25%, repayable in monthly capital instalments of \$4,000 until May 2011 and an amount of \$312,000, in June 2011	366,197	371,397
Current portion	48,000	241,537
	<b>318,197</b>	129,860

Principal debenture repayments for the next two years are as follows:

2010- \$ 48,000

2011- \$ 352,000

### 17 - CAPITAL STOCK

Authorized and unlimited number of shares, without par value

Common shares, participating and voting

The following summary illustrates the changes in the Company's capital stock for the periods ended:

	February 28, 2010		August 31, 2009	
	Number	Stated value	Number	Stated value
Outstanding, beginning of year	52,810,329	\$ 5,377,565	52,810,329	\$ 5,377,565
Issuance of shares 1st quarter	10,600,333	\$ 1,128,969		
Issuance of shares 2nd quarter	100,000	\$ 12,000	-	-
Outstanding, end of period	<b>63,510,662</b>	<b>\$ 6,518,534</b>	52,810,329	\$ 5,377,565

In accordance with the requirements of the Exchange, common shares are escrowed pursuant to a CPC escrow arrangement. Under the terms of the arrangement, 10% of the escrowed common shares have been released on issuance of the final exchange bulletin and 15% of the additional common shares will be released at six-month intervals thereafter, that is on the 6th, 12th, 18th, 24th, 30th and 36th month following the initial release. As at February 28, 2010, 5,444,445 shares (August 31, 2009 – 21,777,779) are escrowed.

# NUVOLT CORPORATION INC.

## Notes to interim consolidated financial statements

As at February 28, 2010 and 2009

### 17 - CAPITAL STOCK (continued)

On September 4, 2009, following the first closing of a private placement, the Company issued 9,266,666 Units at a price of \$0.15 per unit, for a total of \$1,390,000. Each unit is composed of one common share and one warrant. Each warrant entitles the holder to acquire one common share of the Company, at a price of \$0.15 per share for a period of 36 months from the closing date. Of this amount, a total of 5,666,667 Units were subscribed by members of the board of directors, including 5,000,000 issued in conversion of a note payable and amounts due. The fair value of the units and warrants was estimated at \$982,267 and \$407,733 using the Black & Scholes option pricing model based on the following weighted average hypothesis:

Risk-free interest rate	1.33%
Expected life	3 years
Expected volatility	100%
Dividend yield	Nil

On October 19, 2009, the Company announced the second closing of its private placement by issuing 1,333,667 units at a price of \$0.15 per unit, for a total of \$200,050. Each unit is composed of one common share and one warrant. Each warrant entitles the holder to acquire one common share of the Company, at a price of \$0.15 per share for a period of 36 months from the closing date. Of this amount, 166,667 units were subscribed by a conversion of a note payable to a director. The fair value of the units and warrants was estimated at \$146,703 and \$53,347 using the Black & Scholes option pricing model based on the following weighted average hypothesis:

Risk-free interest rate	1.48%
Expected life	3 years
Expected volatility	100%
Dividend yield	Nil

On February 8, 2010, 100 000 stocks options have been exercised at a price of \$ 0.12 per share.

### 18 - CAPITAL MANAGEMENT

The Company includes the total of the equity in the capital definition.

In terms of capital management, the Company's objectives are to preserve its ability to continue its operation to ensure its sustainability and to provide an adequate return to its shareholders. The Company uses its capital to funds its research and development expenses, the marketing strategy and to insure an adequate level of cash flow.

In order to maintain and adjust its capital structure, the Company can issue new shares and new debts. The Company must comply with a ratio debt/Equity of 0.5 [Note 15b)].

### 19 - STOCK OPTIONS

The Company has established a stock option plan under which certain directors, officers, employees and consultants can be granted Company stock options. The maximum number of options that can be issued under this plan is 10% of the common shares issued and outstanding at the date of grant. The exercise price of each option corresponds to the determined price at the date of grant. The determined price cannot be less than the market value on the day prior to the attribution date. The maximum term of an option is five years and the vesting period is determined at the time of the stock options issue.

# NUVOLT CORPORATION INC.

## Notes to interim consolidated financial statements

As at February 28, 2010 and 2009

### 19 - STOCK OPTIONS (continued)

On September 24, 2009, the Company granted 1,600,000 stock options to directors, board's members and employees. The acquisition of the rights will be as follows: 1/3 at the grant date, 1/3 on November 30, 2009 and 1/3 on November 30, 2010. When exercised, each option entitles the holders the right to purchase one common share at an exercise price of \$0.11, until September 4, 2014. The fair value of the options was estimated at \$132,800 using the Black & Scholes option pricing model based on the following weighted average hypothesis:

Risk free interest rate	2.36%
Expected life	5 years
Expected volatility	100%
Dividend yield	Nil

On November 17, 2009, the Company granted 100,000 stock options to an employee. The acquisition of the rights will be as follows: 1/3 at the grant date, 1/3 on January 31, 2010 and 1/3 on November 17, 2010. When exercised, each option entitles the holders the right to purchase one common share at an exercise price of \$0.10, until November 17, 2014. The fair value of the options was estimated at \$7,500 using the Black & Scholes option pricing model based on the following weighted average hypothesis:

Risk free interest rate	2.30%
Expected life	5 years
Expected volatility	100%
Dividend yield	Nil

On January 7, 2010, the Company granted 600,000 stock options to directors and employees. The acquisition of the rights will be as follows: 1/3 at the grant date, 1/3 on March 31, 2010 and 1/3 on January 7, 2011. When exercised, each option entitles the holders the right to purchase one common share at an exercise price of \$0.12, until January 7, 2015. The fair value of the options was estimated at \$54,000 using the Black & Scholes option pricing model based on the following weighted average hypothesis:

Risk free interest rate	2.48%
Expected life	5 years
Expected volatility	100%
Dividend yield	Nil

On January 7, 2010, the Company granted 600 000 stock options to a consultant, replacing the stock options granted to him as a director. The acquisition of rights are at the grant date. Each options entitles the holder the right to purchase one common share at an exercise price of \$0.12, until January 7, 2011. The fair value of the options was estimated at \$27,600 using the Black & Scholes option pricing model based on the following weighted average hypothesis:

Risk free interest rate	1.37%
Expected life	1 year
Expected volatility	100%
Dividend yield	Nil

On February 8, 2010, 100 000 stocks options have been exercised at a price of \$ 0.12 per share.

# NUVOLT CORPORATION INC.

## Notes to interim consolidated financial statements

As at February 28, 2010 and 2009

### 19 - STOCK OPTIONS (continued)

The following table summarizes the situation of the Company's stock option plan as at February 28, 2010 during the previous year:

	February 28, 2010		August 31, 2009	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of year	3,648,656	\$ 0.11	3,840,656	\$ 0.11
Granted	2,900,000	0.11	3,000	0.10
Cancelled	(600,000)	0.10	(195,000)	0.13
Exercised	(100,000)	0.12	-	-
Outstanding, end of period	5,848,656	0.11	3,648,656	0.11
Options exercisable, end of period	4,665,324		3,145,656	
Weighted average fair value of options granted during the period	\$ 0.011		\$ 0.007	

The following table summarizes information about fixed stock options outstanding February 28, 2010:

Range of exercise price	Number outstanding	Options outstanding		Options exercisable	
		Weighted average remaining contractual life	Weighted average exercise price	Number of Options exercisable	Weighted average exercise price
\$0.10	2,561,000	2.60 years	\$ 0.10	2,277,667	\$ 0.10
\$0.11	1,500,000	4.51 years	\$ 0.11	1,000,002	\$ 0.11
\$0.12	1,100,000	3.04 years	\$ 0.12	699,999	\$ 0.12
\$0.15	687,656	0.38 years	\$ 0.15	687,656	\$ 0.15
\$0.10 - \$0.15	5,848,656	2.91 years	\$ 0.11	4,665,324	\$ 0.11

# NUVOLT CORPORATION INC.

## Notes to interim consolidated financial statements

As at February 28, 2010 and 2009

### 20 - WARRANTS

The summary of the changes during the six-month period ended February 28, 2010 and during the previous year relative to the warrants is as follows:

	February 28, 2010		August 31, 2009	
	Warrants	Weighted average exercise price	Warrants	Weighted average exercise price
Outstanding, beginning of year	3,333,333	\$ 0.15	15,866,666	\$ 0.19
Granted	10,600,333	\$ 0.15	-	\$ -
Cancelled	-	\$ -	(12,533,333)	\$ 0.20
Outstanding, end of period	13,933,666	\$ 0.15	3,333,333	\$ 0.15
Warrants that might be exercised, end of period	13,933,666	\$ 0.15	3,333,333	\$ 0.15

The warrant attached to the debenture enables the holder to buy 3,333,333 common shares at a price of \$0.15. The warrant expires March 11, 2010. The amount allocated to the warrant is \$114,462 (Note 16).

### 21 - CONTRIBUTED SURPLUS

The following table presents the changes in contributed surplus during the six-month period ended February 28, 2010 and during the previous year:

#### 21 - CONTRIBUTED SURPLUS (continued)

	February 28, 2010	August 31, 2009
<b>BALANCE</b> , beginning of year	\$ 1,273,484	\$ 657,067
Gain resulting from exercise of stock options	4,600	-
Cancellation of stock options	22,033	12,435
Cancellation of warrants	-	603,982
<b>BALANCE</b> , end of the period	1,300,117	1,273,484

### 22 - COMMITMENTS

The Company has leases commitments until 2012 for the rental of warehouses and rolling stock. The balance of the commitments under such leases is \$ 151,209. Minimum payments payable required for the next three years are as follows:

2010-	\$ 46,079
2011-	\$ 84,562
2012-	\$ 20,568

# NUVOLT CORPORATION INC.

## Notes to interim consolidated financial statements

As at February 28, 2010 and 2009

### 23 - EARNING PER SHARE

The basic earning per common share is calculated by dividing the net income (net loss) assumed by the common shareholders by the weighted average number of common shares outstanding during the period. Diluted net income (net loss) per share is calculated giving effect to the potential dilution that could occur if stock options and warrants to issue common shares were exercised at the later of the beginning of the period or the issuance date. The treasury stock method is used to determine the dilutive effect of stock options and warrants.

The following table shows the basic weighted average number of common shares outstanding:

	February 28, 2010 (3 months)	February 28, 2009 (3 months)	February 28, 2010 ( 6 months)	February 28, 2009 ( 6 months)
Basic weighted average number of shares	<b>63,433,995</b>	52,810,329	<b>62,914,993</b>	52,810,329

Items excluded from the calculation of diluted net income per share because the exercise price was greater than the average market price of the common

Stock options	<b>5,678,656</b>	3,840,656	<b>5,266,888</b>	3,840,656
Warrants	<b>13,933,666</b>	15,866,666	<b>13,426,395</b>	15,866,666

For the three-month and nine-month periods ended February 28, 2010 and 2009, there is no difference between the basic and diluted net income (net loss) per share since the average market price is lower than the exercise price of the stock option and the warrants. Consequently, the diluted net income (net loss) per share for this year was calculated using the basic weighted average number of shares outstanding.

### 24 - ADDITIONAL INFORMATION TO THE STATEMENT OF CASH FLOWS

The net change in non-cash working capital items is as follows:

	February 28, 2010 (3 months)	February 28, 2009 (3 months)	February 28, 2010 ( 6 months)	February 28, 2009 ( 6 months)
	\$	\$	\$	\$
Accounts receivable	<b>51,031</b>	160,946	<b>(36,918)</b>	(36,918)
Inventories	<b>13,783</b>	(24,964)	<b>66,846</b>	66,846
Prepaid expenses	<b>(12,118)</b>	7,654	<b>2,792</b>	2,792
Accounts payable	<b>249,892</b>	(41,516)	<b>112,901</b>	112,901
Deferred revenue	<b>(6,663)</b>	38	<b>18,864</b>	18,864
	<b>295,925</b>	102,157	<b>164,486</b>	164,486

During the quarter, the Company offset a tax credit receivable of \$ 94,921 (2009- \$ 17,867) against deferred development costs.

During the quarter, the Company acquired \$ 239 in intangible assets and deferred expenses of \$ 301,101, which are financed by accounts payable.

# NUVOLT CORPORATION INC.

## Notes to interim consolidated financial statements

As at February 28, 2010 and 2009

### 25 - FINANCIAL INSTRUMENTS

#### Currency risk

Part of the Company's purchases and sales are denominated in foreign currency, namely in US dollars. Consequently, the Company has a foreign currency exposure on certain assets and liabilities. As at February 28, 2010, net assets denominated in US dollars and converted to Canadian dollars totalled \$ 107,415 (August 31, 2009 \$ 165,764). The Company does not use financial instruments to manage its exposure to changes in currency exchange rates.

An increase of 1% of the Canadian dollar against the American dollar, all other variables remaining constant, would increase the net loss of \$ 559. A decrease of 1% of the Canadian dollar against the American dollar would decrease the net loss of the same amount.

#### Credit risk

The Credit risk is primarily attributable to a debtor not respecting its financial obligations. The Company does not believe to be exposed to a risk of credit higher than normal in regards to its customers. The Company has several customers in various geographical areas, verifies new customers' credit and recognizes a provision for bad debt when management believes that there is a risk not to recover the amount receivable. Moreover, the Company has credit insurance for most of its accounts receivable. The maximal exposure is equal to the book of notes receivable.

#### Interest rate risk

The Company has borrowings bearing interest at variable rates. Consequently, the Company is exposed to interest rate risk based on changes in the prime rate. However, a 1% change in the prime rate would not have a significant effect on the Company's results and financial position. Assuming a 1% increase of the interest rate on the amounts reported in long-term debts, net loss would have increase by \$ 46 for the quarter ended February 28, 2010.

#### Cash flow risk

Liquidity risk is the risk that the Company may not be able to meet all its commitments regarding net cash flow in a timely manner.

Survival of the Company and its ability to continue operations may depend on its ability to find external funding. The private placement in the first quarter of this fiscal year has filled the financial needs in the short term and allows the Company to complete the SMARTSCAN and prepare its commercial launch. The Company is examining other sources of financing for the marketing of the SMARTSCAN. There is no guarantee that such financing is available and that the conditions attached thereto will be favorable to the Company. If the Company fails to obtain such financing, it might have to reduce or even cease operations.

#### Fair value

The fair value of notes receivable and amounts due to directors could not be determined because it is virtually impossible to find on the market a financial instrument with basically the same economic characteristics.

For the notes payable bearing interest at variable rates, the fair value is comparable to the book value, since their variable rate.

For other notes payable, the book value is close to their fair value, since their short-term maturity.

For the debenture, the fair value is comparable to the book value due to the interest rate that is comparable to the rate to which the Company could negotiate a loan with similar conditions and expiry.

# NUVOLT CORPORATION INC.

## Notes to interim consolidated financial statements

As at February 28, 2010 and 2009

### 26 - SEGMENT INFORMATIONS

The Company has examined its activities and has determined that it operates only under one reportable operating sector. This segment is the selling of neutralisation equipment of stray voltage and control system of farm electric equipment.

The Company operates from only one localisation. All of the Company's capital assets and intangible assets are located in Canada.

Revenues by geographic region are detailed as follows:

	February 28, 2010 (3 months)	February 28, 2009 (3 months)	February 28, 2010 (6 months)	February 28, 2009 (6 months)
Canada	\$ 127,723	\$ 231,523	\$ 400,972	\$ 451,607
United-States	\$ 50,025	\$ 197,357	\$ 143,253	\$ 643,960
	\$ 177,748	\$ 428,880	\$ 544,225	\$ 1,095,567

Revenues have been allocated to geographic regions based on country of residence of the related customers.

During the quarter ended February 28, 2010, the Company did make 24% of its total revenues with one client (2009 - 30%).

### 27 - COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation used in the current period.

### 28 - SUBSEQUENT EVENT

On March 29, 2010, following the first closing of a private placement, the Company issued 1,666,666 Units at a price of \$0.15 per unit, for a total of \$250,000. Each unit is composed of one common share and one warrant. Each warrant entitles the holder to acquire one common share of the Company, at a price of \$0.20 per share for a period of 36 months from the closing date. The fair value of the units and warrants was estimated at \$170,000 and \$80,000 using the Black & Scholes option pricing model based on the following weighted average hypothesis:

Risk-free interest rate	1.61%
Expected life	3 years
Expected volatility	100%
Dividend yield	Nil