



MANAGEMENT DISCUSSION AND ANALYSIS

Quarterly report to shareholders

Third Quarter ended May 31, 2009

The following comments are intended to provide an analysis, from the Management's perspective, of the consolidated financial situation of CORPORATION NUVOLT INC. / NUVOLT CORPORATION INC. (NUVOLT) and of its subsidiary AGRIVOLT INC., as at May 31, 2009, as well as operation results for the three month and nine month periods ended at the same date, compared to corresponding periods ended May 31, 2008. Prepared in accordance with National instrument 51-102-Continuous Disclosure Obligations, this Report should be read in conjunction with the unaudited consolidated financial statements of the third quarter ended May 31, 2009, and related notes, as well as with the audited statements as at August 31, 2009 and related notes.

Unless otherwise indicated, financial statements were prepared in accordance with Canadian generally accepted accounting principles (GAAP). All amounts in the tables of this analysis are expressed in thousands of Canadian dollars, with the exception of the amounts per share.

Some sections of this report present statements which are forward-looking and involve risks and uncertainties. Forward looking statements offer no guaranties of the future results of NUVOLT. Actual results may vary significantly from those of forward looking statements, due to numerous factors like capital investment in the measuring instrumentation sector, instability in currency exchange, hiring of qualified employees and NUVOLT's capacity to conduct business successfully in such uncertain conditions. Consequently, the reader should be fully aware of these forward looking statements. These statements are only valid as at the date of the report. There is no commitment to notify readers nor to revise or update these statements in order for them to reflect events or circumstances occurring after the date of this report, except as specifically required by law.

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ACTIVITY DESCRIPTION AND OVERVIEW

NUVOLT is specialized in monitoring electrical networks in livestock farm facilities and in manufacturing detection and correction devices. The company has developed a focused expertise in the management of the electrical network failures, leakage current detection and neutralization as well as in electrical network monitoring systems. It is considered as an emerging company in the technological sector with a strong growth potential worldwide.

Its main products are the "Potential Equalizer", the "Relax" ground fault detector and SVF-VSD filters to eliminate harmonics. They are presently in use on dairy and pig farms.

NUVOLT holds patents on products and technology serving its current markets and patents are pending on products aimed at serving not only farms but also electrical network monitoring of residential, commercial, institutional and industrial markets.

VISION AND STRATEGY

NUVOLT intends to become leader in electrical network monitoring systems and leakage current neutralization.

NUVOLT, through its subsidiary AGRIVOLT INC., is recognized as a North American leader for its expertise in electric network management in the agricultural market. The introduction of **SMARTSCAN**, a technology linked to an active sensor, makes it possible to transform this much focused expertise, from a case by case approach to a specialized "plug and play" product line, to be marketed through a network of dealers, first in North America, then in Europe, Asia and Oceania. Market diversification towards commercial real estate and industrial production sectors offers a much broader potential than the agricultural sector alone. Therefore, NUVOLT has centered its activities in the agricultural sector in a separate company, AGRIVOLT INC., in order to better focus on the development of these other markets.

Over the last few months, NUVOLT has been showing its technology to enterprises of international scope in all the targeted sectors. OEM or private labels distribution deals or licence agreements could be concluded with them.

The Company manufactures its products, which are CSA International and EC certified. Manufacture outsourcing is being considered; to that end, NUVOLT is currently discussing with companies offering manufacturing facilities.

NUVOLT CORPORATION can rely on a dynamic and experienced team in all sectors, to whom expert marketing specialists can also be added.

SITUATION ANALYSIS

SMARTSCAN, development and marketing

In the MD&A of February 28, 2009, the Company announced an important delay in launching **SMARTSCAN**. The targeted deadline was September 2009.

NUVOLT has undertaken to secure additional funding in the amount of \$1.5 M, which will be used to market **SMARTSCAN**. Cash flow does not currently allow bringing it to final product stage. The current economic context makes the financing of companies very difficult and funding may require more time than expected.

Nevertheless, the forced deceleration of **SMARTSCAN** development has allowed the in-house Research & Development team to further improve the product and to find components which will contribute to cost reduction.

With proper financing, NUVOLT believes that **SMARTSCAN** could reach the market in January 2010. SMARTSCAN technological challenges have all been addressed, however the parameter analysis management software is still at the “engineering product” stage. The last evaluations lead us to believe that time to completion may be 3 months.

The marketing strategy has evolved during this quarter despite waiting for funding. Agreements are in the making with product distributors in dairy and pig farming. These distribution contracts will make it possible to meet sales targets from the first year following **SMARTSCAN** launch. Western United States was the first targeted sector. Agreements are presently also in negotiation for Midwestern and Eastern United States. Moreover, one major distributor has shown interest in marketing **SMARTSCAN**.

Financing

Much effort was spent over this quarter on securing funds to complete **SMARTSCAN** and to bring it to its commercial phase.

All financial players we met confirm that the current economic context is extremely difficult and far from favourable to raising funds. NUVOLT management has once again revised financing needs to \$1.5 M.

The following elements were reconsidered in the marketing strategy, so as to further decrease the need for short-term liquidity:

- Postponement of several hirings and revision of sales territories of current employees in order to optimize all resources.
- Postponement to 2012 of the development of new neutralization and detection products related to Nuvolt Sensor.
-

The consolidation of NUVOLT’s financial position is necessary to complete financing. Negotiations are thus under way with BBA in order to establish a repayment schedule for outstanding amounts, thus enabling NUVOLT to reclassify some of them into the long term debt. Discussions are also under way to maintain moratoriums on the repayment of loans contracted with various institutions.

As of the end of the third quarter, a draft financial outline is being evaluated.

NUVOLT’s management is confident that with a need for cash as low as \$1.5M, deferred payment agreements and distribution contracts for **SMARTSCAN** in hand, funding should be secured by the end of the current fiscal year.

Marketing of current products

The marketing plan of the US sales team, aimed at developing the Company’s current products, has been set up. A closer follow-up of client farms in California is bringing improved safety and customer satisfaction.

In spite of the difficult economic context, sale figures for the last quarter have not dropped compared to the previous year. Results of year to date are very encouraging. To date, current sales figures have surpassed the previous year by 10%. Negotiations are under way with a major farm equipment manufacturer to use

AGRIVOLT filters to neutralize electronic noise in its products. NUVOLT is in the final stage of an agreement whose anticipated results could translate into several hundred thousands of dollars.

Patent filing

During the quarter, patent protection for the **SMARTSCAN** brand name was filed in the United States.

Cash Flow

The next financing will enable NUVOLT to finish its development project and to market **SMARTSCAN**. Meanwhile, it must still meet its financial obligations and sustain the sales of current products which are on the rise.

During the third quarter of 2008-2009, the following items made it possible to secure the working capital of the Company:

- Conversion of promissory notes from directors in the amount of \$375,000 into term loans refundable in September 2010. Directors will have the possibility of converting these loans under the same conditions as those investors who participate in the next financing.
- Cashing of R &D Tax credits for fiscal year 2007-2008. The \$143,000 loan related to the financing of these tax credits was reimbursed to Caisse Desjardins. Net amount cashed: \$128,174.
- Cashing of a non refundable \$25,000 financial contribution from *National Research Council (NRC)* for the R&D activities.
- Cashing of a non refundable \$2,555 financial contribution from *Minister of Economic Development, Innovation and Export Trade* for product's design.
- Postponement of additional investments in R&D as well as postponement of hirings for marketing of **SMARTSCAN** until financing.

CONSOLIDATED FINANCIAL INFORMATION

NUVOLT CORPORATION INC.				
Data from consolidated interim financial statements				
PROFIT AND LOSS <i>(In thousands of dollars, except data per share)</i>	Third Quarter ended May 31,		Nine-Month Period ended May 31,	
	2009 (unaudited)	2008 (unaudited)	2009 (unaudited)	2008 (unaudited)
	\$	\$	\$	\$
Gross revenue	396	371	1,543	1,098
Cost of goods sold	256	252	789	757
Gross profit	140	119	754	341
Research and Development Expenses, net	-	-	-	-
Selling expenses	150	114	486	300
Administrative expenses	111	121	367	464
Financial expenses	34	37	122	126
	295	272	975	890
Other items	1	6	15	23
Net income (Net loss)	(154)	(147)	(206)	(526)
Net income (Net loss), non diluted and diluted per share	(0.0029)	(0.0028)	(0.0039)	(0.0100)

Note: Comparative Financial Statements for the nine month period ended May 31, 2009, 2008 have been adjusted comparatively to the same statements as presented last year, due to the reclassification of an expense item. This allows for a better comparison.

INFORMATION ON THE SUBSIDIARY

The Company has an American subsidiary (AGRIVOLT INC) incorporated in Wisconsin under Chapter 180 of the Wisconsin Statutes. This unit was born of the buying out of an American partner during the first quarter of 2004-2005.

Except for OEM Sales, direct sales of products and services in American territory go through AGRIVOLT. It bills clients and pays royalties to NUVOLT for each device sold.

Services related to diagnosis, warranty or device start ups are provided by NUVOLT technicians.

OPERATING RESULTS

Consolidated Revenues

NUVOLT has recorded net revenues of \$396,000 for the third quarter of fiscal year 2008-2009 comparatively to \$371,000 for the corresponding period of fiscal year 2007-2008, representing a 6.7% increase. For the nine month period ended May 31, 2009, consolidated revenues are \$1,543,000, compared to 1,098,000 for the same period ended May 31, 2008, an increase of 40%.

In nine months, the sale figures of the previous year have been surpassed.

Main increases are in sales of systems in United States. For the quarter ended May 31, 2009, those sales represent nearly \$52,000 more than the same quarter of the previous year. For the nine month period, it is \$507,000 more.

Impact of currency exchange

The average currency exchange rate for the quarter has been \$1.21 CAD for \$1 USD, compared to \$1 CAD for \$1 USD for the same quarter of the previous year. For the nine month period, the average currency exchange rate has been \$1.20 CAD for \$1 USD for the nine month period of the previous year. This currency exchange rate difference is favourable for the sales of 2008-2009. The impact is a \$24,000 gain for the quarter and \$139,000 for the nine month period.

However, sales have been negatively impacted this quarter by a currency loss on the value of receivables in US dollars. Several clients take advantage of payment terms in four instalments over four months. The value of Canadian dollar has increased since the end of the quarter ended February 28, 2009. Sales closed at that time and not fully paid then are thus affected by currency fluctuations. Year to date, NUVOLT posts a \$134,000 gain on currency exchange.

Without considering the currency rate, sales for the quarter ended May 31, 2009 would represent \$51,000 more than those of the same quarter of the previous year, a 13.7% increase, while year to date would show a lesser increase, representing 28% over the previous year, compared to 40% the year before.

Revenues split

NUVOLT's revenues are of two types, product sales and the service sales. Product sales include direct sales to users and sales to OEM. Selling products for detection and correction of electrical networks failures is done in two steps, first the electric network diagnosis, then the installation and launching of the equipment. To this base revenue are added revenues from spare parts, various services and preventive maintenance. These revenues are split as follows:

NUVOLT CORPORATION INC.				
Data from consolidated interim financial statements				
	Third Quarter ended May 31,		Nine-Month Period ended May 31,	
	2009	2008	2009	2008
<i>(In thousands of dollars)</i>	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	\$	\$	\$	\$
Products	243	260	1,149	789
Services	153	111	394	309
Total	396	371	1,543	1,098

Sales of products have represented 61% of total sale for the quarter compared to 70% for the same quarter of the previous year. For the nine month period, the percentage of product sale over total sale represents 74% compared to 72% for the same period of the previous year.

Increase of sales of service versus product is due to the fact more mandates have been fulfilled than in the previous year.

The following table shows the geographical distribution of NUVOLT sales:

NUVOLT CORPORATION INC.				
Data from consolidated interim financial statements				
	Third Quarter ended May 31,		Nine-Month Period ended May 31,	
	2009	2008	2009	2008
<i>(In thousands of dollars)</i>	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	\$	\$	\$	\$
Canada	257	216	709	752
USA	139	155	834	346
Total	396	371	1,543	1,098

The percentage of sales in the United States for the quarter ended at May 31, 2009 shows a decrease comparatively to the same quarter of the previous year. Sales of systems have increased but low demand for OEM filters explains the decrease this quarter. Year to date, US sales represent 54% of total sales, compared to 32% the previous year.

NUVOLT products are better known among major enterprises, mainly in California.

Gross profit

The gross profit for the third quarter of fiscal year 2008-2009 amounts to \$140,000 or 35%, compared to \$119,000 or 32% for the same period of 2007-2008. For the nine month period ended May 31, 2009 it is \$754,000 or 49%, compared to \$341,000, or 31% for the nine month period ended at May 31, 2009. This increase is in direct relation to the sale increase.

Gross profit, on product sales only, represents 54% for the quarter and 63% for the nine month period ended May 31, 2009, compared to 53% for the quarter and 54% for the nine month period ended May 31, 2008. The year to date increase is explained in part by currency exchange rate. What's more, resources for direct manpower have been less, for an increased productivity. Efficiency rate for these resources has gone from 75% for the year 2007-2008 to nearly 100% so far this year.

Service expenses for the quarter ended May 31, 2009 have increased compared to the same period of the previous year, service income representing a greater share of total income for the quarter. For the nine month period ended May 31, 2009, there is a decrease of service cost over the previous year. This decrease is mainly due to the fact that, last year, share based remuneration had been recorded from granting stock options to some employees.

Research and development expenses

Investments in research and development amounted to \$64,000 for the three month period ended May 31, 2009, compared to \$510,000 for the same period the previous year. They amounted to \$436,000 for the nine month period ended May 31, 2009 and to \$677,000 for the same period ended May 31, 2008. Amounts, net of subsidies, have been capitalized in full. They meet the criteria for capitalization of Chapter 3064 of the CICA handbook. Even if the Company has temporarily suspended the development of **SMARTSCAN** with external resources, the R&D team has been busy improving the product. Research and changes in components have been going on and will contribute to cost reduction of the technology.

Selling Expenses

Selling expenses have reached \$150,000 for the third quarter of fiscal year 2008-2009, compared to \$114,000 for the same quarter of fiscal year 2007-2008. For the nine month period ended May 31, 2009, they have reached \$486,000 compared to \$300,000 for the nine month period ended May 31, 2008.

Investments in marketing to implement the sale strategy for **SMARTSCAN** are maintained. NUVOLT has decided to support its distribution network despite the delays. Moreover, the Development Manager for Western United States has made a point of closely following up on customers from California and Texas. Proximity with clients is paramount to securing their satisfaction.

Administrative expenses

The administrative expenses amounted to \$111,000 for the quarter ended May 31, 2009 comparatively to \$121,000 for the quarter ended May 31, 2008. For the nine month period ended May 31, 2009, they have been \$367,000 comparatively to \$464,000 for the nine month period ended May 31, 2008.

This reduction for the fiscal year 2008-2009 over the previous one is mainly explained by the fact that professional fees were less. Also, last year, share based remuneration expenses had been recorded.

Financial expenses

The financial expenses add up to \$34,000 for the three month period ended May 31, 2009, and \$37,000 for the nine month period ended May 31, 2008. For the nine month period ended at May 31, 2009, financial expenses have reached \$122,000, compared to \$126,000 for the same period of the previous year. Lower interest rate on loans explains a slight decrease.

Other revenues

The \$1,385 amount for the quarter of fiscal year 2008-2009 and the \$15,000 for year to date of the same fiscal year represent payments on a contribution from *National Research Council* (NCR) through its Industrial Research Assistance Program (IRAP) internship program. The total amount of the agreement has been received.

Net loss

For the third quarter of fiscal year 2008-2009, the net loss amounts to \$154,000 (\$0.0029/share) against \$147,000 (0.0028/share) for the same period of previous year. For the nine month period ended May 31, 2009, net loss has been \$206,000 (\$0.0039/share) compared to \$526,000 (\$0.01/share) for the same period of the previous year.

Tax on Consolidated Earnings

NUVOLT has no payable tax for the quarters and nine month periods ended May 31, 2009 and May 31, 2008 respectively. Thus, no future tax on temporary discrepancies between accounting value and tax value was ever accounted for.

Earnings Before Interest Depreciation Tax and Amortization

The calculation of the EBIDTA corresponds to revenues minus operating costs, before interest charges, depreciation and losses in value of the fixed assets, and tax on earnings. Its result allows for better assessing the financial performance of the Company. It is not used for any other purpose than internal analysis.

For the quarter ended May 31, 2009, the EBIDTA posts a negative amount of (\$115,000) comparatively to (\$92,000) for the quarter ended May 31, 2008. For the nine month period ended May 31, 2009, the EBIDTA is (\$98,000) compared to (\$281,000) for the nine month period ended May 31, 2008.

The EBIDTA is not a measurement of result defined in accordance with the Generally Accepted Accounting Principles (GAAP). Thus it does not have a normalized meaning as prescribed by GAAP. The financial measurement most directly comparable and in accordance with GAAP is the net loss.

CASH FLOWS

NUVOLT CORPORATION INC.				
Data from consolidated interim financial statements				
CASH FLOW	Third Quarter ended May 31,		Nine-Month Period ended May 31,	
	2009	2008	2009	2008
(In thousands of dollars)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	\$	\$	\$	\$
Operating activities	(109)	(9)	52	(376)
Investing activities	213	(531)	(200)	(776)
Financing activities	(79)	51	183	(34)
Increase (Reduction)	25	(489)	35	(1,186)
Cash flow at beginning	1	564	(9)	1,261
Cash flow at the end	26	75	26	75

Cash flows related to operating activities

The operating activities for this third quarter of 2008-2009 have changed cash flows negatively in the amount of (\$109,000) compared to (\$9,000) for the same period of the previous year. They have been positive for \$52,000 for the nine month period ended May 31, 2009 comparatively to (\$376,000) for the nine month period ended May 31, 2008. This increase in cash flow related to operating activities for the last nine month period is due mainly to increase of sale and creditors.

Cash flows related to investing activities

Investing activities have increased cash for an amount of \$213,000 for the quarter ended May 31, 2009, comparatively to a cash decrease of (\$531,000) for the quarter ended May 31, 2008. For the nine month periods ended May 31, 2009 and May 31, 2008, there are cash decreases of (\$200,000) and (\$776,000) respectively.

Cashing in tax credits for R&D explains the positive variation recorded during the third quarter of 2008-2009. The development of **SMARTSCAN** and its related intellectual property protection are the activities having used the cash flows with regards to investments.

Cash flows related to financing activities

Financing activities decreased cash flows by (\$79,000) for the third quarter of fiscal year 2008-2009, comparatively to a cash increase of \$51,000 for the same quarter of fiscal year 2007-2008. For the nine month period ended May 31, 2009, they have increased cash flows by \$183,000 comparatively to a cash flow reduction of (\$34,000) for the nine month period ended May 31, 2008.

The financing activities for the quarters ended May 31, 2008 and 2009 have been limited to reimbursement of debts and use of credit margin. For the current fiscal year, financing activities include the directors' promissory notes.

FINANCIAL SITUATION

NUVOLT CORPORATION INC.		
Data from consolidated interim financial statements		
BALANCE SHEETS	As at	As at
<i>(In thousands of dollars)</i>	31-May-09	31-Aug-08
	(unaudited)	(audited)
	\$	\$
Current Assets	935	1,134
Total Assets	2,471	2,306
Current Liabilities	1,296	1,282
Long-Term Debt	684	320
Debenture	191	213
Total Liabilities	2,171	1,815
Capital Stock	5,378	5,378
Stock options	174	159
Warrants	718	718
Contributed surplus	657	657
Deficit	(6,627)	(6,421)
Shareholders' Equity	300	492

Short Term

NUVOLT has short term assets of \$935,000 and short term liability of \$1,296,000, as at May 31 2009, compared to short term assets of \$1,134,000 and short term liability of \$1,282,000, as at August 31 2008.

The decrease of the short-term assets comes mainly from receivable tax credit amount and from lower stock. Short term liabilities have increased slightly compared to August 31, 2008. This is due to higher accounts payable and to the short term portion of the debenture which is higher.

An important amount is due to a supplier, BBA. Negotiations are under way to obtain a postponement until the next financing.

As well, negotiations are under way with two financing institutions, with who Nuvolt had concluded a moratorium postponing capital reimbursement until March 31, 2009, to extend by one year the beginning of these reimbursements.

The impact on short term liabilities of these two latter items, should they materialize, would be to reduce short term liabilities by \$415,000.

At May 31, 2009, NUVOLT shows a working capital ratio of 0.72 compared to 0.88 at August 31 2008. The debt/equity ratio is not respected. The creditor has not indicated his intolerance in this regard.

Long Term

The total asset went from \$2,306,000 at August 31, 2008 to \$2,471,000 at May 31, 2009. The long term portion of the assets went from \$1,172,000 at August 31, 2008 to \$1,536,000 at May 31, 2009. The variation of \$364,000 is mainly due to a \$46,000 investment for PCT patent for the *Nuvolt Sensor* and for the protection of the **SMARTSCAN** brand, as well as to an increase of deferred development expenses in the amount of \$317,000. Indeed, \$436,000 have been invested in R&D since the beginning of the fiscal year. An amount of \$101,500 for R&D receivable tax credits on these investments and \$27,555 subsidies reduced capitalization of deferred cost.

The long-term debt including short term portion shows an increase of \$372,000 compared to August 31, 2008. The directors' promissory notes, considered short term loans in the previous statement, have been reclassified as term loan in the long term liabilities.

Shareholder's Equity

Data on shares and issued stock options:

Common Shares	52 810 329
Warrants	15 866 666
Stock Purchase Options	3 843 656
Total	72 520 651

CHANGES IN ACCOUNTING POLICIES

Financial instruments

Canadian Institute of Chartered Accountants has published Section 3862: "Financial instruments –Disclosures" and 3863 "financial instruments-Presentation". These standards must be applied for fiscal year beginning from October 1st, 2007. Consequently, the Company has adopted them for the current fiscal year ending August 31, 2009. Section 3862 establishes new standards regarding information to disclose for financial instruments and its adoption has had no incidence on the amounts recorded in the financial statements of the Company. Section 3863 revises presentation standards already established in Section 3861 "Financial Instruments: Presentation and Disclosures" and, consequently, has had no impact on the financial statements of the Company.

Capital disclosures

Canadian Institute of Chartered Accountants has published Section 1535: "Capital Disclosures". These standards must be applied for fiscal year beginning from October 1st, 2007. Consequently, the Company has

adopted them for the current fiscal year ending August 31, 2009. Section 1535 requires disclosure of information about the Company's objectives, policies and processes for managing capital. Application of these new standards has had no impact on the amounts recorded in the financial statements of the Company, as they relate mainly to information to be disclosed.

Inventories

Canadian Institute of Chartered Accountants has published Section 3031: "Inventories" to replace the previous Section 3030 bearing the same title. These standards must be applied for fiscal year beginning from October 1st, 2007. Consequently, the Company has adopted them for the current fiscal year ending August 31, 2009. This section establishes standards for the measurement and disclosure of inventories. Application of these new standards has had no impact on the amounts recorded in the financial statements of the Company.

Goodwill and Intangible Assets

Canadian Institute of Chartered Accountants has published Section 3064: "Goodwill and Intangible Assets", to replace Section 3062 "Goodwill and Other Intangibles" AND Section 3450 "Research and Development". These standards must be applied for Fiscal years beginning October 1st 2008. Consequently, the Company will have to adopt them for its fiscal year ending August 2010. This Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Company is currently assessing the incidence of these new standards on its financial statements.

International Financial Reporting Standards (IFRS)

An Exposure Draft on adopting International Financial Reporting Standards (IFRS) has been published by the Accounting Standards Board (AcSB), in relation with accounting and presentation of financial information for publicly accountable enterprises. These standards would replace the current Generally Accepted Accounting Principles (GAAP) and would come into effect for fiscal years beginning on or after January 1st 2011. NUVOLT considers setting up a plan of convergence towards IFR standards as of the third quarter of 2008-2009. This transition plan will make it possible to analyze the expected effects on financial and non - financial information which will have to be presented in the annual financial statements of the fiscal year ending at 31 August 2009.

RISK FACTORS

Currency Risk

The Company does a significant part of its purchases and sales in foreign currency, US dollars. Therefore some assets and liabilities are exposed to currency variations. As at May 31, 2009, net assets in American currency, converted into Canadian dollars represent \$380,000. The Company does not use any financial instrument to manage its currency risk.

Credit Risks

In the normal course of business, the Company monitors the financial situation of its clients. The Company does not believe to be exposed to a higher than normal credit risk with regards to its clients. The Company has several clients spread over various geographical sectors. It monitors credit of new clients and records a reserve for bad debt whenever Management considers there is a high risk of not collecting an amount recorded in the receivables. The maximum risk is equal to the book value of the financial instruments.

Interest Rate Risk

The Company has long term loans bearing interest at variable rates. Therefore, the Company is exposed to a risk related to interest rates based on variation of the prime rate. However, a 1% preferential rate variation would have no significant effect on results or on the financial situation of the Company.

Cash Flow Risk

The Company has a line of credit allowing it to have sufficient funds to meet short term financial needs with regards to its regular operation. Available cash is not currently sufficient to pursue its development project and related marketing.

The Company monitors its cash flows weekly, allowing it to look for additional cash in a timely manner, if needs be. Necessary financing comes mainly from debt and allows the Company to operate. It is currently seeking cash for its development project and related marketing. Despite the fact it has succeeded in the past there is no guarantee for the future.

Other Risks

The Company's business is subject to some risks, namely the following: proprietary technology, need for capital, non-respect of financial ratios, competition and technology obsolescence, growth management and market development, conflicts of interest, manpower, acquisitions, product errors, stock price variations and the securities market. These risks are known but do not jeopardize future activities of the Company.

INTERNAL CONTROL OVER FINANCIAL REPORTING

As at May 31, 2009, the design of a final document on internal controls was not completed. However, the management is of the opinion that it has implemented adequate and sufficient procedures to provide reasonable assurance that:

- i) the financial statements of the Company as at May 31, 2009 established in accordance with GAAP, together with the other financial information included in the interim filings fairly present in all material respects the financial condition of the Company as well as results of operations and cash flows as at May 31, 2009; and
- ii) the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the interim filings.

OTHER INFORMATION

For further information, please note that you can consult the Internet site of SEDAR at: <http://www.sedar.com>
Levis, July 8, 2009

(S) Dominique Dion
Dominique Dion
CFO