



MANAGEMENT REPORT

Annual report to shareholders

Fiscal year ended on August 31, 2011

This management report, prepared on December 30, 2011, presents an analysis from Management's perspective of the consolidated financial position of CORPORATION NUVOLT INC./NUVOLT CORPORATION INC. ("NUVOLT" or the "Company") as at August 31, 2011, as well as for the three-month periods ended on August 31, 2011 and 2010. Prepared in accordance with National Instrument 51-102-Continuous Disclosure Obligations, this management report should be read in conjunction with the audited consolidated financial statements of August 31, 2011 as well as the related notes.

Unless otherwise indicated, all financial data disclosed in this management report have been established according to Canadian Generally Accepted Accounting Principles (GAAP). With the exception of the amounts per share, all dollar amounts appearing in the tables are presented in thousands of Canadian dollars.

Some sections of this report present statements that are forward-looking and involve risks and uncertainties. Forward-looking statements offer no guaranties as to the future results of NUVOLT. Actual results may vary significantly from estimates contained in forward-looking statements due to several factors such as fluctuations in demand for measuring instruments, instability in currency exchange rates, difficulties in obtaining financing, recruitment of qualified employees, and NUVOLT's ability to conduct business successfully under such uncertain conditions. Consequently, readers should be fully aware of the risks and uncertainties associated with these forward-looking statements. These statements are only valid as at the date of this report. Management is under no obligation to notify readers or to revise or update these statements in order to reflect events or circumstances occurring after the date of this report, except as specifically required by law.

TABLE OF CONTENTS :

Description of activities and overview	2
Vision and strategy	2
Performance drivers	2
Highlights of the year and the fourth quarter of 2010-2011	3
Consolidated annual financial information	4
Information on the subsidiary	6
Operating results	6
Cash flow	9
Financial status	10
Future changes in accounting policies	13
Risk Factors	13
Internal controls over financial reporting	14
Other information	15

DESCRIPTION OF ACTIVITIES AND OVERVIEW

NUVOLT specializes in the analysis of faults on electrical networks and the manufacture of detection and correction equipment. The Company has developed a cutting edge expertise in the management of electrical network failures, wave quality, leakage current detection and neutralization as well as in electrical network monitoring systems, in particular in the agriculture, maritime and industrial sectors.

Its main products are the “Potential Equalizer”, the “Agrivolt Filters” and the “SmartScan”.

NUVOLT holds patents on its technologies and there are additional patents pending for electrical network monitoring applications.

VISION AND STRATEGY

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

In recent years, the Company has invested a great deal of energy and money in the development of the **Nuvolt Sensor**. This research and development project has been motivated by the need to make a technology transfer of NUVOLT’S know-how, namely to be able to transfer its expertise and current products into ready-to-use products whose distribution can be ensured by an existing network in the United States and Canada, with a price strategy tailored to a mass-market product.

The **Nuvolt Sensor** is the successful nerve of this technology transfer. This sensor, integrated with its management software, is designated under the name of **SmartScan** and is a major innovation in the electric sector. This system is able to predict electrical failures and prevent downtime in industrial production lines, risks of fire, and equipment failures in commercial buildings. It is also a preventive maintenance tool in the livestock farming sector.

A diversification into the maritime, industrial and real-estate sectors offers growth potential beyond the agricultural market. Consequently, NUVOLT is concentrating its agricultural activities in its subsidiary, AGRIVOLT INC., in order to devote all its efforts to the development of other markets.

NUVOLT has signed distribution agreements in Canada and United-States. The marketing of the **SmartScan** in the agriculture sector started in February 2011.

The Company manufactures its own traditional products and uses outsourcing in Asia for the **SmartScan** manufacturing. The products are CSA International and EC certified.

NUVOLT has set up a dynamic and experienced team, which will be shortly complemented by a few more marketing specialists in order to ensure the development across all targeted markets.

PERFORMANCE DRIVERS

The Company uses performance drivers to monitor the implementation of its strategy and the attainment of its objectives. The table presents these performance drivers as well as the associated key performance indicators:

<i>Performance drivers</i>	<i>Key performance indicators</i>
<i>Working capital</i>	<i>Cash flow, financing capacity</i>
<i>Reputation and customer satisfaction</i>	<i># units sold/product, % of sales increase compared to previous years, performance per vendor and geographical sector</i>
<i>Cost containment and financial performance</i>	<i>Production rate, table of use and cost of technical resources, gross margin</i>
<i>Innovation, Research & Development</i>	<i>Amounts invested in R&D, speed of product adaptation to customer demand, competitive edge, patenting</i>
<i>Workforce</i>	<i>Ability to hire specialized human resources</i>

HIGHLIGHTS OF THE YEAR AND THE FOURTH QUARTER OF 2010-2011

Results

NUVOLT closed its fiscal year ended 31 August 2011 with a turnover of just over \$ 1M. This is a slight \$40,000 increase as compared to last year. The economic crisis of 2009-2010 affected the current year, mainly the first two quarters, despite the announcement of a recovery in the fall of 2010. Caution remained at the heart of costumers for new investments, particularly in the agriculture sector. It is in the third quarter of fiscal year that we have noticed a wave of optimism in the market. This had a direct impact on the Company's revenues. Indeed, the last two quarters presented a 15% increase over the first. This is encouraging, considering that the fourth quarter is usually affected by the seasonality of the agriculture sector.

The distribution network in place in Canada and in the United States has certainly contributed to the increase of sales. The sales generated from this network represented 28% of revenues for the year.

SmartScan sales represented approximately 14% of total sales.

The situation is positive given that efforts for the year were mainly devoted to raising capital in order to bring the **SmartScan** to its marketing phase. The delay in reaching adequate funding has slowed the pace of implementation of the objectives included in the Company's business plan.

The various financings closed during the fiscal year have helped advancing the following strategic elements:

- Quarter 1: Approval of CSA certification for **SmartScan**, set-up of test benches used for quality control of product components and finalization of the establishment of the distribution network in the agriculture sector in Canada and in the United States (about 40 distributors).
- Quarter 2: Beginning of manufacturing of **SmartScan**'s components in Asia and first delivery received. Beginning of the marketing of the product in the agriculture sector. Implementation of technology showcases in the agriculture sector and also in one of the largest stevedoring companies in Canada. Development of a promotion program with a Quebec based insurer, namely Optimum.
- Quarter 3: First sales of **SmartScan** in the agriculture sector. Installation of a technology showcase in the maritime sector.

The fourth quarter was devoted to raising capital to enable NUVOLT to continue its activities to support the marketing of **SmartScan** to its distribution network, diversify its sales in the industrial, maritime and real estate-commercial and also to recruit the necessary human capital. This period also enabled us to ensure the

compliance of the operation of the **SmartScan** in real situation. After some modifications, the product is a success.

The closing of a private placement and the conversion of advances into shares, totaling \$ 3,501,134, were announced on August 23. As a result, the Company renegotiated the terms and conditions of certain liabilities, including a 24 to 36 month moratoria on capital repayment of certain existing debts and debentures.

Strategic plan for 2011-2012

The availability of capital coming from these transactions will enable NUVOLT to strengthen its working capital in order to aggressively pursue sales in all markets targeted. Indeed, the Company has accelerated the implementation of the commitments disclosed in its business plan.

Human capital is fundamental to achieve our objectives. NUVOLT is initiating a strategic recruitment program. Adding resources to our sales and marketing team in the agriculture and industrial sectors will improve the performance of the Company. Additions to the R&D team will give immediate efficiency for the adaptation of the **SmartScan** in the various markets. Finally, the Human Resources and Governance Committee of our Board of Directors, has established a process to recruit a general manager as well as to increase the number of directors.

The first quarter of fiscal year 2011-2012 should reflect the efforts put in place for the business development strategies in order to present tangible results in the second quarter of the year.

For the agriculture sector, the Optimum / Agrivolt Program, announced in the third quarter, is in place and sales will be recorded in the second quarter. Also, discussions for OEM distribution from key players in the agriculture sector are ongoing and may give short-term results.

For the industrial sector, the adaptation of the **SmartScan** to the **ShipScan** and its regulatory approval for ships and drilling platforms are accelerated. Adaptation to the **SmartScan Pro** for industrial production lines and for commercial real estate is also underway to implement partnership agreements for the distribution. Sales should be seen in the third quarter of the year.

The common line in the development strategy of the various sectors is to have on hand intelligent sensors adaptable to all spheres of activities in order to conclude strategic agreements.

ANNUAL CONSOLIDATED FINANCIAL INFORMATION

NUVOLT CORPORATION INC.						
DATA FROM CONSOLIDATED FINANCIAL STATEMENTS						
(In thousands of dollars, except data per share)	Year ended 31-Aug-11 (audited)		Year ended 31-Aug-10 (audited)		Year ended 31-Aug-09 (audited)	
	\$	%	\$	%	\$	%
Gross revenue	1,033		993		1,737	
Cost of goods sold	808		783		903	
Gross profit	225	22%	210	21%	834	48%
Research and development expenses	1,029	100%	1,127	113%	477	27%
Capitalized portion	(634)		(1,111)		(468)	
Net amount	395	38%	16	2%	9	1%
Selling expenses	686	66%	784	79%	600	35%
Administrative expenses	732	71%	787	79%	531	31%
Financial expenses	418	40%	190	19%	146	8%
Operating loss	(2,006)	-194%	(1,567)	-158%	(452)	-26%
Profit on debentures renegotiation	85	8%	-		-	
Net loss	(1,921)	-186%	(1,567)	-158%	(452)	-26%
Net loss, non-diluted and diluted per share	(0.0253)		(0.0244)		(0.0086)	

Some comparative figures were adjusted to comply with the presentation of the current year.

The following tables present the last eight quarters for which NUVOLT published financial statements:

NUVOLT CORPORATION INC.										
DATA FROM CONSOLIDATED FINANCIAL STATEMENTS										
FOR THE YEAR ENDED AUGUST 31, 2011										
(In thousands of dollars, except data per share)	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Total	
	\$	%	\$	%	\$	%	\$	%	\$	%
Gross revenue	267	0%	209	0%	359	0%	198		1,033	
Cost of goods sold	184	0%	197	0%	235	0%	192		808	
Gross profit	83	31%	12	6%	124	35%	6	3%	225	22%
Research & development expenses	293	110%	177	85%	183	51%	376	190%	1,029	100%
Capitalized portion	(293)		(177)		-		(164)		(634)	
Net	-	0%	-	0%	183	51%	212	107%	395	38%
Selling expenses	173	65%	175	84%	186	52%	152	77%	686	66%
Administrative expenses	174	65%	214	102%	187	52%	157	79%	732	71%
Financial expenses	76	28%	98	47%	90	25%	154	78%	418	40%
	423	158%	487	233%	646	180%	675	341%	2,231	216%
Profit on debentures renegotiation	-		-		-		85	43%	85	8%
Net income (Net loss)	(340)	-127%	(475)	-227%	(522)	-145%	(584)	-295%	(1,921)	-186%
Net loss, non-diluted and diluted per share	(0.0046)		(0.0063)		(0.0070)		(0.0074)		(0.0253)	

Some comparative figures were adjusted to comply with the presentation of the current year.

NUVOLT CORPORATION INC.										
DATA FROM CONSOLIDATED FINANCIAL STATEMENTS										
FOR THE YEAR ENDED AUGUST 31, 2010										
(In thousands of dollars, except data per share)	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Total	
	\$	%	\$	%	\$	%	\$	%	\$	%
Gross revenue	366		178		289		160		993	
Cost of goods sold	213		139		204		227		783	
Gross profit	153	42%	39	22%	85	29%	(67)	-42%	210	21%
Research and development expenses	185	51%	499	280%	286	99%	157	98%	1,127	113%
Capitalized portion	(174)		(499)		(284)		(154)		(1,111)	
Net amount	11	3%	-	0%	2	1%	3	2%	16	2%
Selling expenses	184	50%	223	125%	222	77%	155	97%	784	79%
Administrative expenses	243	66%	221	124%	133	46%	190	119%	787	79%
Financial expenses	34	9%	46	26%	40	14%	70	44%	190	19%
	472	129%	490	275%	397	137%	418	261%	1,777	179%
Net loss	(319)	-87%	(451)	-253%	(312)	-108%	(485)	-303%	(1,567)	-158%
Net loss, non-diluted and diluted per share	(0.0023)		(0.0071)		(0.0048)		(0.0074)		(0.0244)	

Some comparative figures were adjusted to comply with the presentation of the current year.

INFORMATION ON THE SUBSIDIARY

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

With the exception of OEM sales, direct sales of products and services on the territory of the U.S. are made through AGRIVOLT. It bills clients and pays a royalty to NUVOLT for each device sold.

OPERATING RESULTS

Consolidated sales figure

NUVOLT posted a sales figure of \$1,033,000 for the fiscal year ended on August 31, 2011, as compared to \$993,000 (+4%) for the fiscal year ended on August 31, 2010 and to \$1,737,000 (-43%) for the fiscal year ended on August 31, 2009. The fourth quarter of the fiscal year posted a sales figure of \$198,000 as compared to \$160,000 for the same quarter of the previous year, a 24% increase.

The economic context has resulted in lower revenues for the first two quarters, as compared to the previous fiscal year. However, the third quarter has shown very encouraging results. Sales of OEM filters have increased, suggesting that sales will return to their 2009 level. These OEM filters represent 14% of total revenues for the year.

Sales of **SmartScan** have begun in the third quarter. As of August 31, 2011, 18 systems were sold, representing 14% of total sales for the year.

Impact of the exchange rate

The average exchange rate for the quarter was \$0.97 CAN for \$1 US, as compared to \$1.04 CAN for \$1 US in the same quarter of 2009-2010.

For the year, the average exchange rate was \$0.99 CAN for \$1 US as compared to \$1.04 CAN for \$1 US for the fiscal year ended on August 31, 2010 and to \$1.18 CAN for \$1 US for the fiscal year ended on August 31, 2009.

Had it not been for the impact of the exchange rate, the sales gap for 2010-2011 would have been +6% as compared to the previous year and -39% as compared to 2008-2009.

Revenue split

NUVOLT's sales figure is composed of two types of revenue, namely the sale of products and the sale of services. The sale of products includes direct sales to users and OEM product sales. The sale of products for the detection and correction of electrical network failures takes place in two steps, first the electrical network diagnosis, then the installation and start-up of the equipment. Revenue from spare part sales, service and preventive maintenance is added to this base revenue. Revenue is broken down as follows:

NUVOLT CORPORATION INC.						
(In thousands of dollars)	Year ended 31-Aug-11 (audited)		Year ended 31-Aug-10 (audited)		Year ended 31-Aug-09 (audited)	
	\$	%	\$	%	\$	%
Products	795	77.0%	679	68.4%	1,263	72.7%
Services	238	23.0%	314	31.6%	474	27.3%
Total	1,033	100.0%	993	100.0%	1,737	100.0%

The sales structure begins to change with the new product **SmartScan** coming on the market, providing a "plug and play" technology that can be sold by a distribution network. It also requires less on-site NUVOLT's technicians. Products will now occupy a larger percentage of sales than in previous years.

The following table shows the geographical breakdown of NUVOLT sales:

NUVOLT CORPORATION INC.						
DATA FROM CONSOLIDATED FINANCIAL STATEMENTS						
(In thousands of dollars)	Year ended 31-Aug-11 (audited)		Year ended 31-Aug-10 (audited)		Year ended 31-Aug-09 (audited)	
	\$	%	\$	%	\$	%
Canada	582	56.3%	675	68.0%	808	46.5%
United States	451	43.7%	318	32.0%	929	53.5%
Total	1,033	100.0%	993	100.0%	1,737	100.0%

Before the economic crisis, U.S sales represented 50% of NUVOLT's annual turnover. Having suffered more than Canada of the situation, Americans have postponed non-essential investments. The last two quarters have however been very positive, with percentage of sales in the U.S. tending to return to its average level of previous years.

Gross profit

The gross profit of 2010-2011 totals \$225,000, representing a gross profit margin of 22%, as compared to \$210,000 or a gross profit margin of 21% for 2009-2010 and to \$834,000 or 48% for 2008-2009.

This decline of the two previous years, as compared to 2008-2009, is explained by the fact that the Company has kept the same production and service structure, despite the drop in revenues. The direct labor, manufacturing and service costs are fairly fixed, which creates a direct negative impact on the gross profit when there is a decline in sales.

Research and development expenses

Investments in research and development represented \$799,000 for the fiscal year ended on August 31, 2011 as compared to \$1,127,000 for the fiscal year ended on August 31, 2010 and to \$477,000 for the fiscal year ended on August 31, 2009.

Since February 2011, the **SmartScan** product, on which all development efforts have been concentrated in recent years, was launched to market. Development costs have continued to be incurred after the launch. These costs were related to professional fees and salaries for adjustments and corrections required after the first installations. They have not been capitalized as they did not meet the capitalization criteria of Section 3064 of the CICA Handbook.

The net amounts presented are those not meeting the capitalization criteria, reduced by the corresponding tax credits, as well as depreciation. The depreciation of development expenses capitalized for the **SmartScan** since 2007 has started on the third quarter of the fiscal year.

Sales expenses

Sales expenses totaled \$686,000 for the 2010-2011 fiscal year, as compared to \$784,000 for 2009-2010 and to \$600,000 for the 2008-2009 fiscal year.

Gap in sales expenses comes from the 2009-2010 fiscal year in which major efforts were made for the implementation of the **SmartScan** marketing strategy, mainly the establishment of a distribution network for the agriculture sector in Canada and in the U.S., as well as a training program for the distributors. This network is now in place. For the year ended August 31, 2011, sales efforts were focused on the support of the network.

Administration expenses

Administration expenses reached \$732,000 for the fiscal year ended on August 31, 2011, as compared to \$787,000 for the fiscal year ended on August 31, 2010 and to \$531,000 for the fiscal year ended on August 31, 2009.

Stock-based compensation expenses explain the variation in the administration expenses.

Financial expenses

Financial expenses totaled \$417,000 for the 2010-2011 fiscal year, as compared to \$190,000 for 2009-2010 and \$146,000 for 2008-2009.

The important increase in these expenses is mainly attributable to the interest posted on new debts totaling \$1,190,000 incurred to enable NUVOLT to support its operations until the closing of the last private placement.

Other item

A profit on debenture renegotiation of \$85,000 has been recognized as a result of recalculation of the value of the debenture, according to the new repayment schedule adopted in August 2011.

Net loss

For the 2010-2011 fiscal year, the net loss stands at \$1,921,000 (\$0.0253/ share), as compared to \$1,567,000

(\$0.0244/ share) for 2009-2010 and to \$452,000 \$ (\$0.0086/share) for 2008-2009.

Tax on earnings

NUVOLT has no income tax payable for the years ended August 31, 2011, 2010 and 2009. No future income tax on temporary variations between the accounting value and the tax value has been recorded.

Earnings/Losses 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 assessment of the financial performance of the Company. It is not used for any purpose other than internal analysis.

For the fiscal year ended on August 31, 2011, the BAIIA was negative (\$1,241,000) as compared to (\$1,379,000) for the fiscal year ended on August 31, 2010 and to (\$373,000) for the fiscal year ended on August 31, 2009.

The EBIDTA is not a measurement of results 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 FLOW

NUVOLT CORPORATION INC.			
DATA FROM CONSOLIDATED FINANCIAL STATEMENTS			
(In thousands of dollars)	Year ended 31-Aug-11 (audited)	Year ended 31-Aug-10 (audited)	Year ended 31-Aug-09 (audited)
Operating activities	(1,232)	(885)	158
Investing activities	(526)	(1,531)	(638)
Financing activities	3,295	2,424	535
Increase (Reduction)	1,537	8	55
Cash flow at beginning	54	46	(9)
Cash flow at the end	1,591	54	46

Cash flow related to operating activities

The operating activities of the 2010-2011 fiscal year generated a negative cash flow of \$1,232,000, as compared to \$885,000 in 2009-2010 and to a positive cash flow of \$158,000 in 2008-2009.

This decline in cash flow is explained by the net loss and the increase in inventory.

Cash flow related to investment activities

Investment activities reduced cash flow by (\$526,000) for the fiscal year ended on August 31, 2011, as compared to (\$1,531,000) for the fiscal year ended on August 31, 2010 and to (\$638,000) for the fiscal year ended on August 31, 2009.

Investments in the development of **SmartScan**, acquisition of molds for its manufacturing and the set-up of test benches to ensure quality control represented investment activities of the year.

Cash flow related to financing activities

Financing activities increased cash flow by \$3,295,000 for the 2010-2011 fiscal year, as compared to \$2,424,000 for 2009-2010 and to \$535,000 for 2008-2009.

The financing activities of 2010-2011 came from various types of financing in the form of private placements and convertible debentures closed during the fiscal year.

FINANCIAL STATUS

NUVOLT CORPORATION INC.			
DATA FROM CONSOLIDATED FINANCIAL STATEMENTS			
(In thousands of dollars)	As at August 31, 2011 (audited)	As at August 31, 2010 (audited)	As at August 31, 2009 (audited)
	\$	\$	\$
Current Assets	2,351	789	747
Total Assets	5,322	3,470	2,300
Current Liabilities	594	1,129	772
Long-Term Debt	459	408	1,392
Debenture	1,419	716	130
Total Liabilities	2,472	2,253	2,294
Capital Stock	10,325	7,173	5,378
Stock Options	525	284	164
Warrants	1,395	821	114
Contributed Surplus	1,611	1,586	1,273
Deficit	(11,006)	(8,647)	(6,923)
Shareholder's Equity	2,850	1,217	6

Short term

NUVOLT had short-term assets of \$2,351,000 and short-term liabilities of \$594,000 as at August 31, 2011, as compared to short-term assets of \$789,000 and short-term liabilities of \$1,129,000 as at August 31, 2010 and short-term assets of \$747,000 and short-term liabilities of \$772,000 as at August 31, 2009.

The increase in short-term assets as at August 31, 2011, as compared to the previous fiscal year comes from higher cash availability explained by the private placement closed on August 23, 2011.

The decrease in short-term liabilities as at August 31, 2011 as compared to August 31, 2010 is explained by the short-term portions of the debt and the debenture which are lower. New repayments terms for some debts were negotiated in August 2011 in order to obtain a moratorium on capital repayments.

As at August 31, 2011, NUVOLT had a working capital ratio of 3.97 as compared to 0.70 as at August 31, 2010 and to 0.98 as at August 31, 2009. This ratio respects loan conditions.

Long term

Total assets rose from \$2,300,000 as at August 31, 2009, to \$3,470,000 as at August 31, 2010 and to \$5,322,000 as at August 31, 2011.

The increase comes from cash and inventory. Regarding the long-term assets, the set-up of test benches, the investments in development costs as well as for patents for the intellectual property of the **SmartScan** have increased the assets.

The long-term debt and the debentures increased since August 31, 2010. A condition to the closing of the private placement of 23 August, 2011 was to renegotiate the repayment schedules for the debts and debentures. Moratoria on capital repayment have been negotiated on debts and debentures representing just over \$2M. The result is that that a greater portion appears in the long-term portion as at August 31, 2011.

Capital stock

Shares, warrants and options outstanding as of:

	December 30, 2011	August 31, 2010	August 31, 2010	August 31, 2009
Common shares	133,384,574	133,384,574	72,777,328	52,810,329
Warrants	39,795,622	39,795,622	16,066,999	3,333,333
Stock options	10,625,935	10,625,935	5,200,000	3,648,656
Total	183,806,131	183,806,131	94,044,327	59,792,318

On September 4 and October 19, 2009, the Company closed a private placement by issuing 10,600,333 units at the price of \$0.15, resulting in \$1,590,000 in proceeds. Each unit is composed of a common share and a warrant. Each warrant allows its holder to acquire a common share at the price of \$0.15 per share for a 36-month period following the closing date. The fair value of the shares and warrants was estimated at \$1,019,632 and \$570,418 respectively at the grant date using the Black & Scholes option pricing model.

On September 24, 2009, the Company granted 1,600,000 stock options to directors, board's members and employees. Vesting was as follows: 1/3 at the grant date, 1/3 on November 30, 2009 and 1/3 on November 30, 2010. Each option entitles the holder to purchase one common share at an exercise price of \$0.11, until September 14, 2014. The fair value of the options was estimated at \$132,800 using the Black & Scholes option pricing model.

On November 17, 2009, the Company granted 100,000 stock options to an employee. Vesting was as follows: 1/3 at the grant date, 1/3 on January 31, 2010 and 1/3 on November 17, 2010. Each option entitles the holder 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.

On January 7, 2010, the Company granted 600,000 stock options to directors and board's members. Vesting was as follows: 1/3 at the grant date, 1/3 on March 31, 2010 and 1/3 on March 31, 2011. Each option entitles the holder 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.

On January 7, 2010, the Company granted 600,000 vested stock options to a consultant, under its stock option plan. Each option entitles the holders 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.

On March 29, 2010, the Company closed a private placement by issuing 1,666,666 units at a price of \$0.15, 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 following the closing date. The fair value of the shares and warrants was estimated at \$162,500 and \$87,500 respectively at the grant date using the Black & Scholes option pricing model.

On August 23, 2010, the Company closed a private placement by issuing 4,900,000 units at a price of \$0.10 per unit, for a total of \$490,000. Each unit is composed of one common share and one-half of a 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 \$381,818 and \$108,182 using the Black & Scholes option pricing model.

On August 27, 2010, the Company closed a private placement by issuing 2,700,000 units at a price of \$0.10 per unit, for a total of \$270,000. Each unit is composed of one common share and one-half of a 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 \$214,570 and \$55,430 using the Black & Scholes option pricing model.

On August 27, 2010, following the closing of a private placement, the Company granted 189,000 vested stock options to Northern Securities as compensation options. Each option entitles the holder to purchase one unit of Nuvolt at an exercise price of \$0.10 per unit until August 27, 2012. Each unit is comprised of one common share and one-half of a common share warrant. The fair value of the options was estimated at \$12,852 using the Black & Scholes option pricing model.

On November 18, 2010, the Company closed a private placement by issuing 2,255,000 units at a price of \$0.10 per unit, for a total of \$225,500. Each unit is composed of one common share and one-half of a 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 \$180,400 and \$45,100 using the Black & Scholes option pricing model.

On November 18, 2010, following the closing of a private placement, the Company granted 122,850 vested stock options to Northern Securities as compensation options. Each option entitles the holder to purchase one unit of Nuvolt at an exercise price of \$0.10 per unit until November 18, 2012. Each unit is comprised of one common share and one-half of a common share warrant. The fair value of the options was estimated at \$7,494 using the Black & Scholes option pricing model.

On January 11, 2011, the Company granted 1,050,000 stock options to directors, board's members and employees under its stock option plan. Vesting will be as follows: 1/3 at the grant date, 1/3 on March 31, 2011 and 1/3 on January 11, 2012. Each option entitles the holder to purchase one common share at an exercise price of \$0.10, until January 11, 2016. The fair value of the options was estimated at \$65,100 using the Black & Scholes option pricing model.

On March 14, 2011, the Company granted 1,050,000 stock options to directors, board's members and employees, under its stock option plan. Vesting is as follows: 1/3 at the grant date, 1/3 on May 31, 2011 and 1/3 on March 14, 2012. Each option entitles the holder to purchase one common share at an exercise price of \$0.10, until March 14, 2016. The fair value of the options was estimated at \$60,900 using the Black & Scholes option pricing model.

On March 24, 2011, the Company granted 600,000 stock options to a consultant. Vesting is as follows: 1/3 at the grant date, 1/3 on May 31, 2011 and 1/3 on March 24, 2012. Each option entitles the holder to purchase one common share at an exercise price of \$0.10, until March 24, 2013. The fair value of the options was estimated at \$14,400 using the Black & Scholes option pricing model.

On August 23, 2011, the Company closed a private placement by issuing 45,202,246 units at a price of \$0.06 per unit, for a total of \$2,712,134. Each unit is composed of one common share and one-half of a warrant. Each warrant entitles the holder to acquire one common share of the Company, at a price of \$0.12 per share for a period of 36 months from the closing date. The fair value of the units and warrants was estimated at \$2,183,268 and \$528,866 using the Black & Scholes option pricing model.

On August 23, 2011, the Company converted notes payable and advances to directors and shareholders by issuing 13,150,000 common shares at a price of \$0.06 per share, for a total of \$789,000.

On August 23, 2011, following the closing of a private placement, the Company granted 3,179,085 vested stock options to brokers as compensation options. Each option entitles the holder to purchase one unit of Nuvolt at an exercise price of \$0.06 per unit until August 22, 2014. Each unit is comprised of one common share and one-half of a warrant. Each warrant entitles the holder to acquire one common share of the Company, at a price of \$0.12 per share for a period of 36 months from the closing date. The fair value of the options was estimated at \$117,626 using the Black & Scholes option pricing model.

FUTURE CHANGES TO SIGNIFICANT ACCOUNTING POLICIES

International financial reporting standards (IFRS)

In February 2008, The Accounting Standards Board has confirmed that publicly accountable enterprises must adopt IFRS for years beginning on or after January 1st, 2011. Consequently, the Company will apply IFRS from September 1, 2011. These standards will replace current generally accepted accounting principles of Canada.

NUVOLT is currently preparing for the adoption of the IFRS for the first quarter of fiscal year 2011-2012. The Company hired a consultant to conduct an assessment of the impacts of adopting IFRS on the financial statements and current accounting policies under GAAP. The analysis has resulted in details of the potential impacts on the accounting and information to present in the financial statements. These elements were analyzed and documented by NUVOLT. In light of the progress of work, the Company will establish its consolidated financial statements for the first quarter of fiscal 2011-2012 in accordance with IFRS applicable to interim financial statements, including IAS 34 and IFRS 1.

RISK FACTORS

Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market factors. Market risk comprises three types of risk: interest rate risk, currency risk and price risk. The Company is exposed to two of these risks; the risk associated with interest rate and currency risk.

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 as Long-Term Debts, net loss would have increase by \$5,049 (2010 - \$3,364) for the exercise ended August 31, 2011.

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 August 31, 2011, net assets denominated in US dollars and converted to Canadian dollars totalled \$30,689 (2010 - \$296,743). 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 decrease the net loss of \$4,996 (2010 - \$2,359). A decrease of 1% of the Canadian dollar against the American dollar would increase the net loss of \$4,996 (2010 - \$2,359).

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. During the year 2011, the Company did not make any provision for a debt (2010 - \$38,222). The maximal exposure is equal to the book value of cash and accounts receivable.

Cash flow risk

There is a risk that the Company may not be able to meet its financial commitments in a timely manner.

The Company has a credit facility, which allows it to have sufficient funds to meet its short-term financial needs associated with its regular operations. The Company monitors its cash flow weekly, which allows it to seek additional liquidity in a timely manner, when required. The necessary funding comes from debt and the contribution of share capital, and allows the Company to pursue its activities.

As at August 31, 2011, the Company had accounts payable of \$479,744 (2010 - \$351,968). The maturity date of the long-term debt, the debenture and commitments are presented in Notes 13, 14 and 20 of the audited financial statements.

The Company's ability to continue as a going concern has been secured with the closing of transactions of \$3.5M on August 2011 as well as moratoria obtained on repayment of principal of debts and debentures totaling approximately \$2M. Those transactions enable the Company to work with adequate financial means and to realize full potential of the **SmartScan** technology for the benefits of shareholders.

Fair value

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

For the debentures and other amount payable, 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.

Other risks

The Company's business is subject to a number of other risk factors, in particular the following: exclusive intellectual property rights, non-respect of financial ratios, competition and technological obsolescence, growth management and market development, conflicts of interest, manpower, acquisitions, manufacturer's liability, stock price variations and the securities market.

INTERNAL CONTROL OVER FINANCIAL REPORTING

As at August 31, 2011, the design of internal procedures, processes and controls was not complete. However, Management is of the opinion that it has implemented adequate and sufficient procedures to provide reasonable assurance that:

- i) the Company's audited consolidated financial statements as at August 31, 2011, established in accordance with Canadian GAAP, together with the other financial information included in the annual filings fairly present in all material respects the Company's financial position as well as the results of operations and cash flows as at August 31, 2011; and

- ii) the annual filings do not contain any untrue or misleading information concerning a material fact or do not fail to disclose a material fact, the disclosure of which is required or necessary to make a statement that is not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.

OTHER INFORMATION

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

Levis, December 30, 2011

(s) Dominique Dion
Dominique Dion CMA
Chief of finances