



**MANAGEMENT DISCUSSION AND ANALYSIS**  
**Quarterly report to shareholders**  
**First quarter ended November 30, 2008**

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 November 30 2008, as well as operation results for the three month periods ended November 30 2008 and 2007. Prepared in accordance with National Instrument 51-102-Continuous Disclosure Obligations, this Report should be read in conjunction with the unaudited consolidated financial statements as at November 30, 2008, as well as with the audited financial statements as at August 31 2008 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 recognized as a leader in North America for this expertise in the agricultural market.

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 weeks, 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.

## STATUS REPORT

### **Quarterly income**

Nuvolt posts positive results for this first quarter of 2008-2009. The penetration of the major dairy farm market in the United States, mainly in California, accounts for a significant sale increase. The results of the Potential Equalizer and Relax on the management of the electrical network and, consequently, on livestock, are better known every day. NUVOLT's expertise is now recognized everywhere among elite farms in North America.

## **SMARTSCAN, electric network management system**

**SMARTSCAN**, in a pre-commercial prototype configuration, underwent the tests of validation in a real environment and appears completely functional. It detects, in real time and at all the frequencies, any anomaly on the electrical network, analyzes it and informs the user of the suitable directives.

In order to bring it into a readily marketable finished product, for the agricultural sector, the R & D team is analyzing the necessary components and making sure to use those which have the most effectiveness, at lowest possible cost, while allowing the miniaturization of the **Sensor**. Following decisions relating to manufacturing, the visual presentation and packaging of the software will be finalized. The necessary investments to complete the project will be around \$150,000. The Management is confident that the first sales of **SMARTSCAN** will be done as of April 2009.

Cash flow requirements to finish **SMARTSCAN** and to market it are approximately 2M\$. NUVOLT has launched a private financing campaign of an amount of 1.5M\$. A temporary loan of \$75,000 was negotiated with the financial institution; the financing of the tax credits is also envisaged. The financing of these credits is \$178,000. Finally, negotiations are on going with government agencies with regards to their financial contribution to marketing. In spite of an economic context which seems to play against any fundraising, the discussions with representatives of the financial sector lead us to believe that NUVOLT, with a project as innovating as **SMARTSCAN**, will find the necessary funds. The sales of the last quarter helped a lot in decreasing the needs for cash.

## **Patents**

We are still expecting final response to our patent filing for the **Sensor** in United States.

## **Development of the marketing strategies and recruiting for the sales department:**

The Regional Sale Manager for Western United States started his work at the beginning of the quarter. His interventions with our California customers enable us to quickly reply to any request, thus ensuring the success of our equipment installed on these dairy farms.

To support the marketing strategy of **SMARTSCAN** in the agricultural sector, it is envisaged to engage a Regional Sale Manager for Mid Western United States in Spring 2009 and a Regional Sale Manager for Eastern United States at the beginning of Summer 2009. Technicians will then be added for each Agrivolt Center.

**ANNUAL CONSOLIDATED FINANCIAL INFORMATION**

<b>NUVOLT CORPORATION INC.</b>				
<b>Data from consolidated interim financial statements</b>				
<b>Three-month periods ended November 30,</b>				
<b>PROFIT AND LOSS</b>	2008		2007	
<i>(In thousands of dollars, except data per share)</i>	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
	\$	%	\$	%
Gross revenue	703		348	
Cost of goods sold	398		226	
Gross profit	305	43%	122	35%
Research and Development Expenses, net	-	0%	-	0%
Selling expenses	68	10%	97	28%
Administrative expenses	128	18%	154	44%
Financial expenses	40	6%	42	12%
	236	34%	293	84%
Other items	3		17	
<b>Net Income (Net loss)</b>	72	(100%)	(154)	(100%)
Net income (Net loss), non diluted and diluted per share	0,0014		(0,0029)	

**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 2005-2006.

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 have been temporarily provided by NUVOLT technicians.

**OPERATING RESULTS**

**Consolidated Revenues**

NUVOLT has recorded net revenues of \$703,000 for the first quarter of 2008-2009, comparatively to \$348,000, for the corresponding period of 2007-2008, representing a 102% increase.

There is thus an important increase in the income compared to the previous year. This increase comes mainly from the sale of systems. Indeed, 14 systems were sold in the quarter compared to 7 at the same quarter of the last year. There were 6 sales of systems in the United States. These sales account for \$294,000 on the total income, i.e. 42%. The price average of systems sold this quarter was \$31,000 compared to \$16,300 last year. We thus notice a growing interest for our

systems among large farms. NUVOLT's expertise and team are particularly recognized among California and Texas farms which are regarded as the elite in the dairy production sector.

Moreover, we note that, in spite of the fact that there were less electrical network analyses, the sales of systems increased; this leads us to believe that the rate of successful sale closings following analysis is higher than the previous years.

### Impact of currency exchange

The average currency exchange rate for the quarter was \$1.15 CAD for \$1 USD, compared to \$1 CAD for \$1 USD in the same quarter last year. This exchange rate variation favours the sales of the first quarter of 2008-2009. The impact represents a profit of \$63,000. Not taking into account the exchange rate, the sales increase compared to the same quarter of the preceding year is 84%.

### 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:

<b>NUVOLT CORPORATION INC.</b>				
<b>Data from consolidated interim financial statements</b>				
<b>Three-month periods ended November 30,</b>				
<i>(In thousands of dollars)</i>	2008 (Unaudited)		2007 (Unaudited)	
	\$	%	\$	%
Products	591	84,1%	259	74,4%
Services	112	15,9%	89	25,6%
<b>Total</b>	<b>703</b>	<b>100,0%</b>	<b>348</b>	<b>100,0%</b>

Product sales represented a more important percentage this quarter than for the same quarter of the previous year. The income of diagnoses of the last six-month period of 2007-2008 were concretized in sales of systems, which explains the increase in the incomes of products compared to services.

The following table shows the geographical distribution of NUVOLT sales:

<b>NUVOLT CORPORATION INC.</b>				
<b>Data from consolidated interim financial statements</b>				
<b>Three-month periods ended November 30,</b>				
<i>(In thousands of dollars)</i>	2007 (Unaudited)		2006 (Unaudited)	
	\$	%	\$	%
Canada	220	31,3%	291	83,6%
United-States	483	68,7%	57	16,4%
<b>Total</b>	<b>703</b>	<b>100,0%</b>	<b>348</b>	<b>100,0%</b>

We note an increase in sales in United States for this quarter. There is a reduction in sales in Canada. The economic context invites the Quebec farmers to much prudence in their investments.

### **Gross profit**

The gross profit for the first quarter of 2008-2009 amounts to \$305,000 or 43%, compared to \$122,000 or 35% for the same period of 2007-2008.

This increase is in direct relation to the increase in sales. Additional expenses engaged to meet this sale rise, be it on the production or on the technical services level, were lower in proportion, thus resulting in a higher gross profit.

The gross profit on the product sales accounts for 66% this quarter compared with 57% for the quarter of the preceding year. The exchange rate explains this difference.

### **Research and development expenses**

Capitalized research and development expenses amounted to \$306,000 for the three month period ended at November 30, 2008 compared to \$32,000 for the same period of the previous year. The totality of these expenses was capitalized.

At the time of the presentation of the first quarter results, last year, the provision for tax credit had been deduced from the research & development expenditure, thus showing an income. The correction was made for a better comparison and to respect accounting standards. Instead, the provision was carried against the deferred development expenses on the balance sheet.

Last year, the development project of the Sensor was beginning. There were less full-time employees and the professional fees for R & D were only \$20,000. For the quarter finished on November 30, 2008, there were four full-time employees, of the investments in supplies to develop the prototype and of the professional fees of \$169,000.

### **Selling Expenses**

Selling expenses have reached \$68,000 for the first quarter of the year 2008-2009, compared to \$97,000\$ for the same quarter of 2007-2008.

The \$29,000 reduction is due to the fact that commission based remuneration for technical services was renegotiated as salary.

### **Administrative expenses**

The administrative expenses amounted to \$128,000 for the quarter ended at November 30, 2008, comparatively to \$154,000 for the quarter ended at November 30, 2007.

This reduction in the first quarter of 2008-2009 compared to the previous year is mainly explained by lower audit fees. At the time of the first quarter of 2007-2008, the fees for the due diligence for the admission to the Stock Exchange had been entered.

### **Financial expenses**

The financial expenses add up to \$40,000 for the three months period finished on November 30, 2008, compared to \$43,000 for the same period of the preceding year.

This variation of (\$3,000) comes from the interests which decrease following the exhaustion of the long-term debts.

### **Other incomes**

The amount of \$3,000 in this section is the payment of a contribution of the National Research Council Canada, via its *Youth Employment Strategy program*. Other incomes noted at the time of the quarter of the preceding exercise came from interests earned from investments.

### **Net profit/Net Loss**

For the first quarter of 2008-2009, the net profit amounted to \$72,000 (\$0.0014/share). The first quarter of 2007-2008 had posted a loss of (\$154,000), representing (\$0.0029) /share.

### **Income tax**

NUVOLT does not have any exigible tax for the quarters finishing on November 30, 2008 and 2007. Thus, no future tax on the temporary differences between the book value and the assessed valuation was entered.

### **Earnings Before Depreciation, Tax and Amortization**

The calculation of the EBIDTA corresponds to the products minus the costs of exploitation, before charges for interests, depreciation and loss in value of fixed assets, and the income taxes.

For the quarter finished on November 30, 2008, the EBIDTA posts a positive amount of \$82,000 comparatively with a negative amount of (\$99,000) for the quarter finished on November 30, 2007.

The EBIDTA is not a measurement of result defined in accordance with the Generally Accepted Accounting Policies.

**CASH FLOWS**

<b>NUVOLT CORPORATION INC.</b>		
<b>Data from consolidated interim financial statements</b>		
<b>Three-month periods ended November 30,</b>		
<i>(In thousands of dollars)</i>	2007 (Unaudited)	2006 (Unaudited)
	\$	\$
Operating activities	165	(132)
Investing activities	(313)	(68)
Financing activities	167	(44)
<b>Increase (Reduction)</b>	<b>19</b>	<b>(244)</b>
Cash flow at beginning	(9)	1 260
<b>Cash flow at the end</b>	<b>10</b>	<b>1 016</b>

**Cash flows related to operating activities**

The operating activities for this first quarter of 2008-2009 were positive for an amount of \$165,000 compared to activities giving a negative amount of (\$132,000) for the same period of the preceding year.

The increase in the debtors is the principal element having increased the cash.

**Cash flows related to investing activities**

Investing activities decreased cash for an amount of (\$313,000) for the quarter ended at November 30, 2008 comparatively to a cash reduction of (\$68,000) for the quarter ended at November 30 2007.

The development of NUVOLT SENSOR and SMARTSCAN, and their related intellectual property protection are the activities having used the cash flows with regards to investments.

**Cash flows related to financing activities**

Financing activities increased cash flow by \$167,000 for the first quarter of a 2008-2009 comparatively to a cash reduction of (\$44,000) for the same quarter of 2007-2008.

Financing activities for the quarter are a \$125,000 contribution from NUVOLT's shareholders and directors as well as a loan for \$75,000 from Caisse Populaire Desjardins de Lévis. Financing activities of the quarter finished on November 30 2007 were limited to the refunding of debts.

## FINANCIAL SITUATION

<b>NUVOLT CORPORATION INC.</b>		
<b>Data from consolidated interim financial statements</b>		
<b>As at</b>		
<b>BALANCE SHEETS</b> <i>(In thousands of dollars)</i>	<b>November 30, 2008</b> <b>(Unaudited)</b>	<b>August 31, 2008</b> <b>(Audited)</b>
	<b>\$</b>	<b>\$</b>
Current Assets	1 309	1 134
Total Assets	2 720	2 306
Current Liabilities	1 630	1 282
Long-Term Debt	308	320
Debenture	211	213
Total Liabilities	2 150	1 815
Capital stock	5 378	5 378
Stock options	166	159
Warrants	718	718
Contributed surplus	657	657
<b>Deficit</b>	<b>(6 348)</b>	<b>(6 421)</b>
<b>Shareholders' Equity</b>	<b>571</b>	<b>492</b>

### **Short term**

NUVOLT has short term assets of \$1,309,000 and short term liability of \$1,630,000, as at November 30 2008, compared to short term assets of \$1,134,000 and short term liability of \$1,282,000\$ as at August 31, 2008.

The increase in the short-term assets comes mainly from receivables which are higher than at August 31, 2008 because of the important sales of the quarter. Moreover, the amount of tax credit to be received is higher by \$70,000.

The short-term liability increased compared to August 31, 2007. This is explained by more important payables due to the investments in Research & Development, by the granting of a loan by Caisse Populaire Desjardins and by the promissory notes coming from contributions of administrators. It should be noted that NUVOLT is currently negotiating to transform these into debentures.

At November 30, 2008, NUVOLT posts a working capital ratio of 0.8 compared to 0.88 at August 31, 2008. The debt/equity ratio is not respected. The creditor has confirmed its tolerance in this regard.

### **Long term**

The total asset went from \$2,306,000 at August 31 2008 to \$2,720,000 at November 30 2008. The long term portion of the assets went from \$1,172,000 at August 31, 2008 to \$1,411,000 at November 30 2008. This \$239,000 variation is mainly due to a \$5,000 investment for the patents and to an increase in deferred development expenses. There were \$306,000 investments in R & D for the quarter. An amount of \$70,000 for receivable tax credits on these investments reduces the capitalization of the deferred expenses.

The long-term debt shows a variation of (\$14,000). This reduction compared to August 31, 2008 is mainly caused by the refunding carried out on the capital of the long-term debts and debenture.

#### **DATA ON SHARES AND ISSUED STOCK OPTIONS**

Common Shares	52 810 329
Warrants	15 866 666
Stock Purchase Options	3 290 656
Total	71 967 651

#### **CHANGES IN ACCOUNTING POLICIES**

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 1<sup>st</sup> 2011.

NUVOLT considers setting up a plan of convergence towards IFR standards as of the second 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.

##### **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.

##### **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.

##### **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 November 30, 2008, 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 November 30, 2008 established in accordance with GAAP, together with the other financial information included in the quarterly filings fairly present in all material respects the financial condition of the Company as well as results of operations and cash flows as at November 30, 2008; and
- ii) the quarterly 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 quarterly filings.

## **OTHER INFORMATION**

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

Levis, January 6, 2009

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Dominique Dion  
CFO