



ADEPTRON TECHNOLOGIES CORPORATION

QUARTERLY SHAREHOLDER REPORT

Results for the Three-month and Nine-month Periods Ended September 30, 2007

TSX – 'ATQ'

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month and nine-month periods ended September 30, 2007:

The following discussion of the financial condition and results of operations of Adeptron Technologies Corporation ("Adeptron" or the "Company") should be read in conjunction with the Company's Unaudited Consolidated Financial Statements for the three-month and nine-month periods ended September 30, 2007 as well as the Company's Audited Financial Statements and accompanying Management's Discussion and Analysis for the year-ended December 31, 2006. All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

Certain statements contained in the following Management's Discussion and Analysis, and elsewhere in this Quarterly Shareholder Report, including, without limitation, statements containing the words believes, anticipates, estimates, expects, and words of similar import, constitute forward-looking statements within the meaning of applicable laws and regulations. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties which could cause actual results to differ materially from those anticipated in these forward-looking statements. These risks and uncertainties include, but are not limited to: foreign currency fluctuations; variability of quarterly and annual operating results; intense competitive pressures; fluctuations in global industry conditions; narrow margins; risks related to human resources recruiting and retention; vulnerability of management information systems; indebtedness of the Company; product-related risks; sales concentration risks; risks related to the availability of future financing; risks related to future acquisitions; component shortages and sublease-related credit risks. These and other risks and uncertainties and factors are discussed in the Company's filings with applicable Canadian securities regulators, including the Company's Annual Information Form dated March 30, 2007 and other documents filed by the Company with Canadian securities regulators from time to time. Additional information related to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should read this Quarterly Shareholder Report and Management's Discussion and Analysis with the understanding that Adeptron's actual future results may be materially different from what we expect. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

Date

This Management's Discussion and Analysis ("MD&A") is dated as of November 14, 2007.

Significant Transactions

During the second quarter of 2007, the Company, through its wholly-owned subsidiary, Adeptron USA, Inc., acquired all of the outstanding shares of Pacific Circuit Assembly, Inc. ("PCA") effective May 31, 2007. Based in San Jose, California, PCA provides full electronics manufacturing services, which include both surface mount and pin through-hole board assembly along with test and system-build capabilities.

Purchase consideration consisted of \$1,300,000 in cash paid on closing, \$802,000 in notes payable, and 903,520 common shares of the Company. The notes payable bear interest at 5%

per annum and are repayable in equal annual instalments over a three year period. The notes payable were recorded at a fair value of \$734,000 using a discount rate of 10% and are being accreted using the effective interest rate method to the principal amount, which is denominated in US dollars. The fair value of share consideration was based on the market price of the Company's common shares over a short period before and after the announcement of the acquisition. In addition, the Company incurred \$280,000 in acquisition costs related to this transaction.

The acquisition of PCA has been accounted for using the purchase method and accordingly, the results of operations have been included in these consolidated financial statements from the date of acquisition. The consideration paid has been allocated to the net assets acquired based on their respective fair values and the excess has been recorded as goodwill as follows (in thousands of dollars):

	\$
Net assets acquired:	
Current assets, excluding cash acquired	468
Property, plant & equipment	1,181
Intangible assets	364
Goodwill	1,105
Future income taxes	(419)
Accounts payable and accrued liabilities	(236)
	2,463
Cash acquired	68
Fair value of net assets acquired	2,531

In addition, Adeptron concluded two significant financing transactions in the third quarter of 2006.

On September 21, 2006, the Company completed a private placement financing consisting of a subordinated debenture and common share purchase warrants for aggregate gross proceeds of \$5.0 million. As part of the private placement, the Company issued 6,851,000 common share purchase warrants, each of which entitles the holder thereof to purchase one common share of the Company for \$0.20 per common share for a period of 5 years. The subordinated debenture has a principal amount of \$5.0 million, a term of 66 months and carries interest at 12% per annum, payable monthly. Beginning on November 1, 2008, the Company will make principal repayments of \$35,000 per month for 42 months with the remaining outstanding principal due at the end of the 66-month term. The debenture is collateralized by a second ranking general security agreement covering substantially all of the Company's assets.

The subordinated debenture agreement contains various covenants that the Company must comply with, including financial covenants related to the ratio of current assets to current liabilities, debt coverage, interest coverage and debt to equity. As at September 30, 2007, the Company did not comply with certain financial covenants contained in the subordinated debenture agreement and as a result, it was in a default position with respect to the debenture agreement. Subsequent to September 30, 2007, the Company entered into a forbearance agreement with its subordinated lender in which the lender has agreed to waive its right to enforce the security it holds in the assets of the Company. Under the terms of the forbearance agreement, the lender has agreed to this waiver as it relates to the covenants that were breached as at September 30, 2007. The agreement will remain in effect until the earlier of

September 30, 2008 or the occurrence of a further event of default, as defined in the original debenture agreement or in the forbearance agreement. In particular, the forbearance agreement contains additional financial targets that must be met over the term of the agreement.

In consideration for the forbearance agreement, the Company will pay to the lender a finance fee of \$50 per quarter that the forbearance agreement is in effect. If this fee cannot be paid as a result of other agreements the Company has in effect, the finance fee will be added to the outstanding principal balance of the debenture.

Also on September 21, 2006, the Company entered into a three-year credit agreement with a senior lender that provides the Company with a senior lending facility in the aggregate amount of up to \$6,750,000. The total senior lending facility is comprised of a \$6.0 million revolving credit facility and a \$750,000 term loan facility. The senior lending facility is collateralized by a first ranking general security agreement covering substantially all of the Company's assets.

Under the revolving credit facility, the Company can borrow by way of Canadian dollar prime rate loans or U.S. dollar base rate loans. In addition, the revolving credit facility allows for the issuance of letters of credit and has a foreign exchange trading component. The maximum availability under the revolving credit facility is based on certain terms and conditions, including, but not limited to, the levels of accounts receivable and inventory and is established on an ongoing basis. Borrowings under this facility are subject to interest at the bank's prime rate plus 1% for Canadian dollar loans and U.S. base rate plus 0.5% for U.S. dollar loans and the interest is payable monthly.

The term loan is repayable over 36 months in equal monthly instalments commencing on November 1, 2006. The term loan is subject to interest on the outstanding balance at the bank's prime rate plus 1.5% and interest is payable monthly. The term loan is classified as long term debt on the balance sheet, of which \$250,000 is shown in current liabilities as current portion of long-term debt.

The credit agreement contains various covenants that the Company must comply with including financial covenants related to minimum levels of net assets and interest coverage and maximum levels of capital spending. As at September 30, 2007, the Company did not comply with certain financial covenants contained in the credit agreement and as a result, it was in a default position with respect to the credit agreement. Subsequent to September 30, 2007, the Company did not comply with certain financial covenants contained in the credit agreement and as a result, it was in a default position with respect to the credit agreement. Subsequent to September 30, 2007, the Company and the senior lender signed an amendment to the credit agreement which in effect waived the default conditions with respect to the financial covenants as at September 30, 2007. In addition, the amendment agreement revised the financial covenant calculations included in the original credit agreement on a prospective basis.

Overall Performance

For the three months ended September 30, 2007, the Company had a net loss and basic loss per share of \$1,102,000 and \$0.03, respectively. In the third quarter of 2006, net income and basic income per share were \$506,000 and \$0.01, respectively. This represents a \$1,608,000 decrease in quarterly net income when compared to the third quarter of 2006.

For the nine months ended September 30, 2007, the Company had a net loss and basic loss per share of \$929,000 and \$0.03, respectively, compared to net income and basic income per share of \$1,307,000 and \$0.04 for the same periods in 2006.

In the three-month and nine-month periods ended September 30, 2007, the Company recorded a restructuring charge of \$450,000 related to the consolidation of operations. This charge is included in the net loss amounts noted above.

EBITDA ⁽¹⁾ for the three-month period ended September 30, 2007 was negative \$514,000 while EBITDA for the nine-month period ended September 30, 2007 was \$569,000. For the three-month and nine-month periods ended September 30, 2006, EBITDA was \$894,000 and \$2,451,000, respectively.

Results of Operations

Sales

For the three months ended September 30, 2007, sales were \$8.2 million compared to \$10.6 million for the corresponding period of 2006, a decrease of \$2.4 million, or 23%. This decrease is primarily attributable to a significant reduction in sales generated from the Company's former largest customer. In the current quarter, sales to that customer decreased by approximately \$3.0 million when compared to the third quarter of 2006. Revenue attributable to PCA for the three months ended September 30, 2007 was \$716,000.

For the nine months ended September 30, 2007, revenue totaled \$28.5 million compared to \$33.0 million for the corresponding period of 2006, a decrease of \$4.5 million, or 14%. On a year to date basis, sales attributable to the Company's former largest customer decreased by \$7.0 million when compared to the same nine-month period in 2006. This significant decline was partially offset by increased revenue from existing customers as well as new customers.

During the nine-month period ended September 30, 2007, approximately 70% of the Company's sales were derived from USA-based and domestic-based customers with sales denominated in US dollars ("US\$"). Consequently, the strengthening of the Canadian dollar ("CDN\$") relative to the US\$ has historically had an adverse effect on the Company's reported sales when compared to the corresponding period of the prior year. This adverse effect was particularly profound in the third quarter of 2007 as the CDN\$ reached levels that had not been seen in decades. In comparison to the first quarter of 2007, the third quarter average US\$ to CDN\$ exchange rate declined by 11%, which had a corresponding effect on the Company's reported sales.

Subsequent to September 30, 2007, the CDN\$ has continued to strengthen against the US\$ which will have a negative impact on future revenues. In order to mitigate this effect, the Company continues to denominate as many of its purchases as possible in US\$ to drive the expenses lower when converted to CDN\$. However, management's primary emphasis in its approach to managing the effect of the \$US trend on Adeptron has been and continues to be on generating long-term sales growth. Adeptron's objective continues to be to develop significant customer relationships that are enduring and have meaningful sales growth potential. Having a core business offering that offers compelling value to existing and prospective customers is crucial to achieving this result and to this end, the Adeptron team remains committed to its goal of ongoing operational improvement.

Cost of Goods Sold and Gross Profit

Cost of goods sold for the three months ended September 30, 2007, was \$7.3 million compared to \$8.7 million for the corresponding quarter of 2006, a decrease of approximately \$1.4 million, or 16%. The decrease in cost of goods sold in the three months ended September 30, 2007, in comparison to the corresponding quarter of the prior year, can be primarily attributed to lower material costs directly associated with lower sales. Furthermore, gross profit percentage decreased to 10.5% for the three months ended September 30, 2007 compared to 18.2% for the same period in the prior year. This decrease in gross profit percentage can be attributed to the significant decline in quarterly sales, the exchange rate impact of US dollar denominated transactions as well as a change in the customer sales mix.

For the nine months ended September 30, 2007, cost of goods sold was \$24.3 million, compared to \$27.2 million in the first nine months of 2006. The decrease of \$2.9 million is attributed to lower sales levels in the first nine months compared to the prior year. Consistent with the third quarter, gross margin percentage also decreased to 14.6%, on a year-to-date basis compared to 17.5% in the corresponding period of 2006.

The depreciation on manufacturing assets that have been employed to generate the sales for a period is allocated to cost of goods sold, and the depreciation on non-manufacturing assets that have been employed in selling, general and administrative areas of the business is not included in gross profit. Depreciation and amortization of \$263,000 has been allocated between cost of goods sold and other expenses in the third quarter of 2007 compared to \$155,000 in the corresponding quarter of the prior year. For the three months ended September 30, 2007, depreciation of \$202,000 has been allocated to cost of goods sold compared to \$110,000 in the prior year. The remainder of the depreciation has been charged to expenses below the gross profit line.

For the nine months ended September 30, 2007, depreciation and amortization was \$602,000 compared to \$441,000 in 2006. Depreciation of \$466,000 has been allocated to cost of goods sold compared to \$310,000 in the same period last year.

During the current quarter, the Company spent approximately \$397,000 in capital expenditures. On a year to date basis, the Company spent \$643,000 in capital expenditures. The majority of the capital spending for the nine months ended September 30, 2007 was for leasehold improvements at the Company's headquarters as part of the restructuring and consolidation of its two Markham facilities. These expenditures are expected to provide occupancy cost savings in 2008 and beyond, partially offset by an increase in amortization of leasehold improvements as compared to 2006.

Selling, General and Administrative Expense

Selling, General and Administrative ("SG&A") expense for the third quarter of 2007 was \$1,153,000, compared to \$1,162,000 for the same quarter of 2006, a decrease of \$9,000, or 0.8%. PCA SG&A expense was \$113,000 for the three-month period ended September 30, 2007. Excluding the effect of PCA SG&A expense, to permit a comparison to the same operations as existed in the same quarter of 2006, SG&A expense would have been lower by \$122,000, or 10.5%. This decrease is due to lower payroll costs in the current quarter compared to the third quarter of 2006.

For the nine months ended September 30, 2007, SG&A expense was \$3,618,000, compared to \$3,665,000 for the same quarter of 2006, a decrease of \$47,000, or 1.3%.

Interest expense

For the three-month and nine-month periods ended September 30, 2007 and 2006, interest expense is comprised of interest on long-term debt, interest on bank operating loan and interest on subordinated notes.

As described in the section "Significant Transactions", the Company has long-term debt outstanding at September 30, 2007 that includes a subordinated debenture, a term loan and most recently, notes payable. For the three-month and nine-month periods ended September 30, 2007, interest expense relating to the Company's long-term debt obligations was \$223,000 and \$639,000, respectively. Included in interest expense for the three-month and nine-month periods ended September 30, 2007 is approximately \$52,000 and \$141,000, respectively, in non-cash interest accrued but not paid, which includes the amortization of the financing costs. For the three-month and nine-month periods ended September 30, 2006, interest on long-term debt was \$24,000.

Interest on bank operating loan is primarily the interest and associated loan fees paid on the bank operating loan. Interest for the three-month and nine-month periods ended September 30, 2007, was \$85,000 and \$202,000, respectively, compared to \$123,000 and \$334,000, respectively, in the same periods of the prior year. The decrease in interest on bank operating loan for the three-month and nine-month periods is due to decreased borrowing levels in comparison to the prior year. Included in interest on bank operating loan for the three-month and nine-month periods ended September 30, 2007 is approximately \$19,000 and \$56,000, respectively, in non-cash interest related to the amortization of deferred financing costs.

Interest on subordinated notes for both the three-month and nine-month periods ended September 30, 2007 was nil, compared to \$75,000 and \$302,000, respectively, in the corresponding periods of the prior year. The decrease is due to the fact that the subordinated notes were fully repaid at the end of the third quarter in 2006 and as a result, the Company did not incur any further interest on this debt in subsequent quarters.

Depreciation and amortization

Depreciation and amortization on non-manufacturing assets for the three months ended September 30, 2007 was \$61,000 compared to \$45,000 for the same period in the prior year. Depreciation of manufacturing assets is included in cost of goods sold and is discussed above in "Results of Operations – Cost of Goods Sold and Gross Profit".

For the nine months ended September 30, 2007, depreciation and amortization on non-manufacturing assets was \$136,000 compared to \$131,000 for the same period in the prior year.

Change in fair value of embedded derivative

As a result of a change in accounting policy described in the section "Accounting Developments – Changes in Accounting Policies Including Initial Adopting", the Company incurred an expense related to the change in the asset and liability value of an embedded derivative contained in certain foreign currency denominated sale and purchase contracts. An expense in the amount

of \$7,000 and \$70,000 was recognized in the three-month and nine-month periods ending September 30, 2007, respectively, in comparison to nil for the same periods in the prior year.

Business Restructuring

The Company restructured its operations resulting in the closing of a manufacturing facility in Markham, Ontario and the consolidation of these operations into its main facility also in Markham, Ontario. The restructuring resulted in staff reductions and consolidation of office and manufacturing space.

During the three-month and nine-month period ended September 30, 2007, the restructuring expense was \$450,000. Of this amount, \$270,000 remains as an obligation consisting of [i] an estimated \$159,000 relating to net facility lease costs with no additional economic benefits that will be paid out over the remaining lease period which extends to 2011, and [ii] \$111,000 relating to severance. The long-term portion of the restructuring obligation is \$45,000 and is recorded in other long-term liabilities, and the current portion is recorded in accounts payable and accrued liabilities.

Balance Sheet

Cash at September 30, 2007 was \$181,000 compared to \$234,000 at December 31, 2006.

Working capital, defined as current assets less current liabilities, at September 30, 2007, was \$2.4 million compared to a working capital balance of \$4.8 million at December 31, 2006. The decrease in working capital is primarily the result of the loss incurred in the current quarter as well as the cash used to acquire all the issued and outstanding shares of PCA.

Accounts receivable at September 30, 2007 were approximately \$4.7 million compared to \$6.8 million at 2006 year-end, a decrease of approximately \$2.1 million, or 31%. The decrease can primarily be attributed to a decrease in sales in comparison to the fourth quarter of 2006.

Inventory at September 30, 2007 was approximately \$4.7 million compared to approximately \$4.5 million at 2006 year-end, an increase of approximately \$0.2 million. Compared to the quarter end balance at June 30, 2007, inventory decreased by approximately \$0.8 million from \$5.5 million.

Accounts payable and accrued liabilities at September 30, 2007 were approximately \$5.0 million, compared to \$6.1 million at 2006 year-end, a decrease of approximately \$1.1 million.

As described in the section "Significant Transactions", on September 21, 2006, the Company completed a private placement financing that included the issuance of a subordinated debenture. As at September 30, 2007, the subordinated debenture liability is included in long-term debt at its fair value of approximately \$4.29 million. The net book value of financing costs of approximately \$342,000 has been recorded as a reduction of the carrying value of the subordinated debenture. Secondly, the Company borrowed \$750,000 under its new term loan facility that is repayable in thirty-six equal monthly instalments beginning November 1, 2006. As at September 30, 2007, \$250,000 is classified as a current liability and \$271,000 in long-term debt. Finally, the acquisition of PCA was partly financed by notes payable and as at September 30, 2007, the outstanding balance was \$694,000, of which \$249,000 is shown as current portion of long-term debt. At September 30, 2007, total long-term debt was \$5.16 million comprised of

the subordinated debenture, the term loan and the notes payable. At December 31, 2006, total long-term debt was approximately \$4.9 million.

Other long-term liabilities of \$182,000 includes \$137,000 for the subsidization of a Calgary sub-lease which will be paid out through to December 31, 2011, and \$45,000 for restructuring activities as described in the Business Restructuring section above. The current portion of this liability is \$172,000 including \$56,000 for the Calgary restructuring and \$116,000 for the more recent restructuring and is included in accounts payable and accrued liabilities. The comparative balances at December 31, 2006 year-end were \$166,000 in long-term liabilities and \$68,000 in current liabilities. During the nine months ended September 30, 2007 the Calgary liability decreased by \$41,000 due to lease payments made, net of amounts received.

Summary of Quarterly Results

(In thousands of dollars, except per share information and gross profit percentages)

	<u>Q3 2007</u>	<u>Q2 2007</u>	<u>Q1 2007</u>	<u>Q4 2006</u>	<u>Q3 2006</u>	<u>Q2 2006</u>	<u>Q1 2006</u>	<u>Q4 2005</u>
Sales	\$8,180	\$10,149	\$10,160	\$10,852	\$10,609	\$11,655	\$10,716	\$10,645
Gross Margin	\$857	\$1,571	\$1,724	\$1,970	\$1,935	\$1,995	\$1,833	\$1,663
Gross Margin %	10.5	15.5	17.0	18.2	18.2	17.1	17.1	15.6
Net Income (Loss)	\$(1,102)	\$10	\$163	\$307	\$506	\$489	\$312	\$153
EBITDA⁽¹⁾	\$(514)	\$481	\$602	\$889	\$894	\$857	\$700	\$488
Basic and Diluted Income (Loss) per share	\$(0.03)	\$0.00	\$0.00	\$0.01	\$0.01	\$0.01	\$0.01	\$0.00

Adeptron's results of operations for the most recent eight fiscal quarters are primarily affected by the volume of sales but are also influenced by other factors such as the mix of sales between various customers and between turnkey and labour-only, fluctuating foreign exchange rates between the CDN\$ and US\$ and cost reductions achieved through operational efficiencies. The Company has not been able to determine any specific seasonality or other cyclical influences that affect the predictability of its sales and results of operations. Instead, the Company performance is more closely tied to the general economic conditions prevailing in the electronics products sector.

The Company's sales are dependent upon the level of orders from its existing customers and the introduction of new customers. The level of orders from the Company's existing customers fluctuate from month to month based on a variety of factors unique to each customer.

Beginning in the first quarter of 2007 the Company began to experience a significant reduction in the amount of orders from its previous largest sales-contributing customer. During the first two quarters of 2007 the Company experienced increases in the amount of orders from other existing and new customers which served to offset a significant amount of the sales loss resulting from the order reductions noted above. Sales for the first half of 2007 were \$20.3

million compared to \$22.4 million in the same half of 2006, a decrease of \$2.1 million. Sales to this previous largest sales-contributing customer declined by \$4 million in the first half of 2007 compared to 2006. This decrease was offset by a net increase in sales from new and other existing customers of approximately \$1.9 million.

Sales for the third quarter of 2007 were \$8.2 million compared to \$10.6 million in the same quarter of 2006, a decrease of \$2.4 million. Excluding sales in the amount of \$0.7 million contributed by PCA in the third quarter of 2007, to allow a comparison to the operations existing in the same quarter in 2006, makes the decrease become \$3.1 million. Sales to this previous largest sales-contributing customer declined by \$3 million in this quarter compared to 2006. In addition, third quarter 2007 sales compared to third quarter 2006 sales were adversely affected in the amount of approximately \$0.3 million due to the foreign exchange rate movements previously mentioned. The Company has identified orders totaling \$1.7 million from seven new and other previously existing customers that were pushed out of the third quarter of 2007, were delayed into the fourth quarter of 2007 and beyond, or were reduced from the initial amounts. There was no common theme underlying these adjustments in the timing and size of these orders. In each case, the customer was dealing with individual circumstances ranging from dealing with new product introductions, sale of the business, delayed orders from the end customers and so on.

Adeptron did not lose any customers in any of its locations in the third quarter of 2007 and this statement is valid to the date of this report.

Based on information available at this time the Company is projecting its sales in the fourth quarter of 2007 to increase over the third quarter sales level in spite of the continuing deteriorating \$US exchange rate compared to the \$CDN. This increase will be due to orders from new customers and a return to, or increase from, previous order levels from other previously existing customers. Also, this quarter will benefit from the cost reductions resulting from the restructuring carried out in the third quarter of 2007.

The Company is currently engaged in long-lead-time materials procurement, the development of software and hardware for the testing of electronic assemblies, and other activities for the express purpose of manufacturing products for orders received from new customers. These new customer programs are expected to provide increases to quarterly sales beginning with the first quarter of 2008.

As part of the Company's continuing bolstering of its value proposition, it has hired and contracted with certain key personnel that will enhance the Company's ability to attract prospective customers and will lead to greater operational efficiencies in the remainder of 2007 and continuing into 2008. The Company has strengthened its business development capability in 2007 and anticipates continued expansion of its sales team in early 2008. These investments are expected to continue to improve the Company's success rate in attracting new and larger customer programs.

Liquidity

The Company's operating activities, before changes in non-cash working capital balances, used \$722,000 in cash in the three months ended September 30, 2007 compared to cash generated of \$681,000 in the same period of 2006. The change of approximately \$1.4 million is due to the loss incurred in the current period in comparison to income earned in the same period of the prior year. Including changes in non-cash working capital items, cash generated in the current

quarter was \$1,306,000 compared to \$969,000 cash used in the corresponding period of 2006. This significant change is primarily due to decreases in accounts receivable balances when compared to the activity in the same period of the prior year.

For the nine-month period ending September 30, 2007, operating activities, before changes in non-cash working capital items, used \$46,000 in cash compared to \$1,861,000 cash generated in the same period of the prior year. Including changes in non-cash working capital items, cash generated in the first nine months of 2007 was \$553,000 compared to \$12,000 in the corresponding period of 2006. The changes in accounts receivable balances and earnings (loss) were the primary drivers in the changes in cash generated or used during the nine-month period ending September 30, 2007 when compared to the same period in the prior year.

During the third quarter of 2007, the Company's financing activities used \$802,000 in cash in comparison to providing \$1,341,000 in the same period of the prior year. For the nine months ended September 30, 2007, financing activities provided \$1,511,000 in cash compared to providing \$699,000 in the corresponding period of the prior year. For the current three-month period, cash generated from operating activities, was applied to the bank operating loan to reduce the balance. On a year-to-date basis, the cash provided by financing activities was primarily used to fund the cash portion of the PCA acquisition.

For the three-month and nine-month periods ended September 30, 2007, the Company used \$429,000 and \$2,117,000, respectively, in investing activities. In the comparative periods of the prior year, cash used in investing activities was \$22,000 and \$361,000, respectively. The increase in cash used in investing activities in 2007 is due to the acquisition that was completed in the second quarter and to fund property, plant, and equipment used in the planned consolidation from two Markham plants into one plant.

At September 30, 2007, the Company had total long-term debt outstanding with a fair value of approximately \$5.2 million and the total amount of its other long-term liabilities was \$182,000.

As at September 30, 2007, principal repayments of long-term debt, net payments of other long-term liabilities and all Company operating lease future payments were as follows:

(\$ in thousands)	Total	2007*	2008	2009	2010	2011	Beyond
Long-term Debt	6,268	63	569	877	669	420	3,670
Other Long-term Liabilities	182	—	18	87	77	—	—
Operating Leases	4,471	242	991	949	814	471	1,004
Total Contractual Obligations	10,921	305	1,578	1,913	1,560	891	4,674

* 2007 totals are for the period October 1, 2007 to December 31, 2007.

Capital Resources

Under the credit agreement entered into on September 21, 2006 with its new senior lender, the Company has a revolving credit facility of up to a maximum of \$6.0 million based on certain terms and conditions that is secured by a general security agreement. The new operating credit facility provides the Company with approximately \$1.5 million of additional available credit compared to the facility with its previous senior lender. The Company will use this credit facility to finance working capital requirements. The availability of credit under this new facility is

established based on certain terms and conditions, including the amount of accounts receivable and inventory available to secure the Company's borrowings. As at September 30, 2007, the Company's operating loan balance of approximately \$2.4 million was within its borrowing limit based on accounts receivable and inventory margining conditions in its agreement with its senior lender.

The Company believes that it will generate positive cashflow from operations and have sufficient availability under its new senior credit facility to fund working capital requirements over the next 12 months.

As at September 30, 2007, the Company estimates that based on turnkey sales it could significantly increase its 2006 level of sales, \$43.8 million, without requiring significant investment in capital assets. The Company expects that as sales increase in the future it will lead to more optimal utilization of its automated surface mount lines, sophisticated test platforms and other equipment. However, total capital expenditures incurred in 2007 will be higher than the levels incurred in 2006. These expenditures are expected to improve manufacturing efficiencies and ultimately provide additional cost savings within cost of goods sold in the latter part of 2007 and beyond.

The Company cannot state with certainty that capital resources in the form of debt, including capital lease debt, or equity, in sufficient amount and on reasonable terms, will be available in the event that funding for capital expenditures should become necessary.

Related Party Transactions

In 2006, the Company entered into a consulting agreement with a newly appointed director of the Company. During the three-month and nine-month periods ended September 30, 2007, the Company paid \$15,000 and \$50,000, respectively, in fees in respect to this consulting agreement. The Company paid nil in the corresponding periods of the prior year.

Outstanding Share Data

Adeptron has one class of voting or equity securities for which there are securities outstanding: common shares. As at September 30, 2007, there were 36,707,000 common shares issued and outstanding.

Adeptron also has stock options outstanding that have been granted pursuant to its stock option plan for directors, officers, employees and consultants. As at September 30, 2007, there were 2,424,000 such stock options outstanding, each exercisable for one common share, with various vesting and expiry dates and exercise prices ranging from \$0.18 to \$0.51. Accordingly, up to 2,424,000 common shares are issuable on exercise of the foregoing stock options.

Adeptron also has a total of 7,351,000 warrants outstanding as at September 30, 2007, each entitling the holder to purchase one common share for a specified price. 6,851,000 warrants have an exercise price of \$0.20 and expire on September 20, 2011. 500,000 warrants were issued on November 21, 2006 and have an exercise price of: [i] \$0.30 for the period between the date of issuance and the second anniversary of issuance; [ii] \$0.40 for the period between the second and third anniversaries of issuance; and [iii] \$0.50 for the period between the third anniversary and expiry of the warrants. These warrants expire on November 20, 2010. Accordingly, up to 7,351,000 common shares are issuable on exercise of the foregoing warrants.

During the three-month and nine-month periods ending September 30, 2007, 1,349,000 warrants expired unexercised.

Disclosure procedures and controls

The Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure procedures and controls are effective, based on their evaluation of the effectiveness of these procedures and controls as of the end of the period covered by this report.

Internal controls over financial reporting

Management of the Company is responsible for designing internal controls over financial reporting for the Company. Management has designed such internal controls over financial reporting, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with GAAP.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of sales and expenses during the year. Note 2 to the 2006 audited Financial Statements and note 2 to the September 30, 2007 unaudited interim financial statements disclose the significant accounting policies and methods used by Adeptron in the preparation of its financial statements. Estimates and assumptions are assessed regularly by Adeptron in light of historical results, information currently available and perceptions regarding future developments. Actual results may differ materially from these estimates and assumptions. The Company has identified the critical accounting policies affecting its financial statements. These policies are affected by the assumptions, judgements and estimates used by management in the preparation of its financial statements.

Basis of consolidation

Adeptron's consolidated financial statements include the assets, liabilities, and operating results of the Company and its wholly owned subsidiaries. All inter-company transactions and balances have been eliminated on consolidation.

Foreign currency translation

The assets and liabilities of Adeptron's self-sustaining operations, having a functional currency other than Canadian dollars, are translated into Canadian dollars using the exchange rates in effect at the consolidated balance sheet dates. Revenues and expenses are translated at the average rate during the periods. Exchange gains and losses arising from the translation of the Company's net equity investment in these operations are recognized as other comprehensive income and are included as a separate component of shareholders' equity.

Revenue Recognition

Adeptron's revenue is derived from the sale of electronics based assemblies and sub-assemblies that have been built to customer specifications. Revenue from product sales is recognized upon shipment, when title has passed to the customer, persuasive evidence of an arrangement exists, performance has occurred, specified test criteria have been met and the earnings process is complete. The Company has no further performance obligations other than its standard manufacturing warranty.

Allowance for Doubtful Accounts

Adeptron records an allowance for doubtful accounts related to accounts receivable considered by management to be impaired. The assessment of the potential or actual impairment of accounts receivable is performed on each individual customer account and reflects the Company's knowledge of the financial condition of the customer, historical payment patterns, the aging of the account, and any other information pertinent to the assessment. Material changes in any of the assessment parameters could affect the allowance for doubtful accounts and the provision for bad debts recorded in the statements of income and deficit.

Inventory Valuation

Inventories comprise raw materials, work-in-process and finished goods, which are valued at the lower of cost or market value, on a first-in first-out basis. Cost for work-in-process and finished goods includes the cost of materials, principally electronic components, direct labour and an allocation of overheads. Market value for raw materials inventory is replacement cost, and for work-in-process and finished goods is net realizable value. In determining market value, the Company considers factors, such as shrinkage, the aging and future demand of the inventory, past experience with specific customers and the ability to redistribute inventory to other programs or return inventory to suppliers. A change to these assumptions may affect the valuation of inventory and gross profits.

Income Tax Valuation Allowance

Adeptron records a valuation allowance against deferred income tax assets until management believes it is more likely than not that the deferred income tax asset will be realized. In light of the loss incurred in 2005 and the Company's history of losses, and the lack of certainty of future profitability, Adeptron has recorded a valuation allowance for the full amount of its deferred income tax assets. A material change to profitability could affect the estimated income tax valuation and related income tax expense.

Goodwill

Adeptron performs its goodwill impairment test annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. Initially, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired. The second step is carried out if the carrying amount of a reporting unit exceeds its fair value. In this case, the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss. The exercise of determining fair values is subject to management's expectations of future results for such items as sales and expenses, cash flows and discount rates. Adeptron recorded no impairment losses in 2006 and 2005. The

Company had one reporting unit at December 31, 2006. Future goodwill impairment charges may result from future goodwill impairment tests.

Long-Lived Assets

The valuation of long-lived assets is based on the Company's expectations regarding the future cash flows to be generated by such assets. These cash flow expectations are affected by the Company's assumptions regarding specific customer and general industry conditions and the revenue streams of future periods correlating to the expected useful lives of such assets. Adeptron recorded no long-lived asset impairment in 2006 and 2005. Material changes to these assumptions could affect the estimated useful lives or valuation of such assets resulting in changes to depreciation and amortization or the recording of impairment charges.

Accounting Developments – Changes in Accounting Policies Including Initial Adoption

The Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Sections 3855, "Financial Instruments – Recognition and Measurement"; 3861, "Financial Instruments – Disclosure and Presentation"; 3865, "Hedges" and 1531, "Comprehensive Income" on January 1, 2007. These standards reflect that fair value, not historical cost, is the appropriate way for measuring certain financial instruments. The adoption of the new standards resulted in changes in the accounting of financial instruments as well as the recognition of certain adjustments as described below. The comparative financial statements have not been restated.

The principal changes in the accounting for financial instruments and hedges are described below:

Comprehensive income (loss)

Comprehensive income (loss) is comprised of the Company's net income (loss) and other comprehensive income (loss). During the three-month and nine-month periods ended September 30, 2007, the Company had other comprehensive loss of \$122,000 and \$123,000, respectively. The Company did not have any items that met the criteria for recognition as comprehensive income (loss) for the corresponding periods in the prior year.

Hedges and derivatives

The new accounting rules require that hedging derivatives be recorded at fair value on the balance sheet. The Company does not engage in any formal hedging activities with third party providers. As a result, there is no impact of this change in accounting policy on the interim financial statements.

The Company has purchase and sales contracts denominated in a foreign currency, other than the functional currency of one of the substantial parties of the contract. The Company has determined that these contracts contain an embedded derivative. As a result of the change in accounting policy, the embedded foreign currency derivative must be bifurcated from the host purchase or sale contract and recorded on the balance sheet at fair value. As at September 30, 2007, the Company has recorded an asset of \$202,000 related to purchase contracts and a liability of \$249,000 related to sales contracts. For the three-month and nine-month periods ended September 30, 2007, a charge of \$7,000 and \$70,000, respectively, was recorded in the

statements of income and deficit related to the change in fair value of the embedded foreign currency derivatives.

Effective interest method

Prior to January 1, 2007, long-term debt deferred financing costs were recorded on the balance sheet as other assets and were amortized over the life of the debt on a straight-line basis. The new rules require that the effective interest method be used to amortize financing costs whereby the amount recognized as expense varies over the life of the debt based on the balance outstanding. In addition, the financing costs are recorded on the balance sheet as a reduction of the outstanding debt balance.

As at January 1, 2007, financing costs were adjusted to reflect what the balance would have been had the effective interest method been used from the inception date of the debt. In addition, other assets and long-term debt were adjusted to reflect the recording of the financing costs as a reduction of long-term debt rather than as other assets. The impact was a decrease in other assets of \$375,000, a decrease in long-term debt of \$384,000 and a decrease in the deficit of \$9,000.

Non GAAP Measures

- (1) EBITDA represents earnings before interest, tax, depreciation, amortization and stock-based compensation. EBITDA is not a recognized measure under Canadian generally accepted accounting principles (“GAAP”). However, management believes that EBITDA is a useful supplemental measure to net income (loss), as it provides investors with an indication of cash earnings prior to debt service, capital expenditure, income tax and other non-cash items. Readers should be cautioned, however, that EBITDA should not be construed as an alternative to net income (loss) determined in accordance with generally accepted accounting principles as an indicator of the Company's performance or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. The Company's method of calculating EBITDA may differ from the methods by which other companies calculate EBITDA and, accordingly, the EBITDA used herein may not be comparable to measures used by other companies.

EBITDA reconciliation to GAAP income for the most recent eight fiscal quarters are shown below (All numbers expressed in thousands):

	<u>3-Month</u> <u>Period</u> <u>Sep 30,</u> <u>2007</u>	<u>3-Month</u> <u>Period</u> <u>Jun 30,</u> <u>2007</u>	<u>3-Month</u> <u>Period</u> <u>Mar 31,</u> <u>2007</u>	<u>3-Month</u> <u>Period</u> <u>Dec 31,</u> <u>2006</u>	<u>3-Month</u> <u>Period</u> <u>Sep 30,</u> <u>2006</u>	<u>3-Month</u> <u>Period</u> <u>Jun 30,</u> <u>2006</u>	<u>3-Month</u> <u>Period</u> <u>Mar 31,</u> <u>2006</u>	<u>3-Month</u> <u>Period</u> <u>Dec 31,</u> <u>2005</u>
Net income (loss) per GAAP	\$(1,102)	\$10	\$163	\$307	\$506	\$489	\$312	\$153
Add (deduct):								
Income tax expense (recovery)	(20)	(14)	0	0	0	0	0	0
Interest on subordinated notes	0	0	0	0	75	98	129	68
Interest on long-term debt	223	210	206	211	24	0	0	0
Interest on bank operating loan	85	68	49	71	123	110	101	102
Depreciation and amortization	263	186	153	163	155	148	138	140
Stock-based compensation	37	21	31	137	11	12	20	25
EBITDA	\$(514)	\$481	\$602	\$889	\$894	\$857	\$700	\$488

Interim Consolidated Financial Statements

Adeptron Technologies Corporation

[unaudited]

September 30, 2007

Adeptron Technologies Corporation

INTERIM CONSOLIDATED BALANCE SHEETS

[unaudited]
[in thousands of dollars]

	As at September 30, 2007 \$	As at December 31, 2006 \$
ASSETS [notes 5 and 6]		
Current		
Cash	181	234
Accounts receivable [note 13]	4,675	6,818
Inventories	4,740	4,528
Prepaid expenses, deposits and other assets [note 3]	707	279
Total current assets	10,303	11,859
Property, plant and equipment	3,193	2,015
Other assets [notes 3, 5 and 6]	594	753
Goodwill [note 4]	6,559	5,531
	20,649	20,158
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank operating loan [note 5]	2,395	712
Accounts payable and accrued liabilities [note 13]	4,971	6,069
Current portion of long-term debt [notes 4 and 5]	499	250
Total current liabilities	7,865	7,031
Future income taxes [note 4]	358	—
Other long-term liabilities	182	166
Long-term debt [notes 3, 4, 5 and 6]	4,661	4,664
Total liabilities	13,066	11,861
Commitments and contingency [note 11]		
Shareholders' equity		
Share capital [notes 4 and 8]	35,532	35,315
Contributed surplus [note 8]	1,159	918
Warrants [notes 6, 7 and 8]	793	945
Accumulated other comprehensive loss [note 3]	(123)	—
Deficit	(29,778)	(28,881)
Total shareholders' equity	7,583	8,297
	20,649	20,158

See accompanying notes

Adeptron Technologies Corporation

**INTERIM CONSOLIDATED STATEMENTS OF
INCOME (LOSS) AND DEFICIT**

[unaudited]

[in thousands of dollars, except per share information]

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
Sales [notes 13 and 14]	8,180	10,609	28,489	32,980
Cost of goods sold	7,323	8,674	24,338	27,217
Gross profit	857	1,935	4,151	5,763
Expenses				
Selling, general and administrative [note 8]	1,153	1,162	3,617	3,665
Interest expense [notes 3,4,5,6,7 and 9]	308	222	841	660
Change in fair value of embedded derivative [note 3]	7	—	70	—
Restructuring [note 10]	450	—	450	—
Depreciation and amortization	61	45	136	131
	1,979	1,429	5,114	4,456
Income (loss) before taxes	(1,122)	506	(963)	1,307
Income tax recovery				
Future	20	—	34	—
Net income (loss) for the period	(1,102)	506	(929)	1,307
Deficit, beginning of period	(28,676)	(29,694)	(28,881)	(30,495)
Cumulative impact of adopting new accounting requirements [note 3]	—	—	32	—
Deficit, end of period	(29,778)	(29,188)	(29,778)	(29,188)
Income (loss) per share				
Basic	(0.03)	0.01	(0.03)	0.04
Diluted	(0.03)	0.01	(0.03)	0.04
Weighted average number of shares outstanding [000's]				
Basic	36,707	34,613	36,208	34,613
Diluted	36,707	34,657	36,208	34,637

See accompanying notes

Adeptron Technologies Corporation

**INTERIM CONSOLIDATED STATEMENTS
OF COMPREHENSIVE INCOME (LOSS)**

[unaudited]

[in thousands of dollars]

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
Net income (loss) for the period	(1,102)	506	(929)	1,307
Other comprehensive loss				
Change in foreign currency translation loss on self-sustaining foreign operations	(122)	—	(123)	—
Comprehensive income (loss) for the period	(1,224)	506	(1,052)	1,307

See accompanying notes

Adeptron Technologies Corporation

**INTERIM CONSOLIDATED STATEMENTS OF
CHANGES IN SHAREHOLDERS' EQUITY**

[unaudited]
[in thousands of dollars]

	Common Shares \$	Contributed Surplus \$	Warrants \$	Accumulated other comprehensive loss \$	Deficit \$	Total shareholders' equity \$
Opening balance, December 31, 2006	35,315	918	945	—	(28,881)	8,297
Issuance of shares on acquisition <i>[note 4]</i>	217	—	—	—	—	217
Stock-based compensation <i>[note 8]</i>	—	89	—	—	—	89
Expiration of warrants <i>[note 8[c]]</i>	—	152	(152)	—	—	—
Foreign currency translation loss on self-sustaining foreign operations <i>[notes 2 and 4]</i>	—	—	—	(123)	—	(123)
Cumulative impact of adopting new accounting requirements <i>[note 3]</i>	—	—	—	—	32	32
Net loss for the period	—	—	—	—	(929)	(929)
Balance at September 30, 2007	35,532	1,159	793	(123)	(29,778)	7,583

See accompanying notes

Adeptron Technologies Corporation

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

[unaudited]

[in thousands of dollars]

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net income (loss) for the period	(1,102)	506	(929)	1,307
Add (deduct) items not involving cash:				
Depreciation and amortization	263	155	602	441
Non-cash interest expense	71	9	197	70
Future income tax recovery	(20)	—	(34)	—
Stock-based compensation <i>[note 8]</i>	37	11	89	43
Writedown of property, plant and equipment	29	—	29	—
	(722)	681	(46)	1,861
Changes in non-cash working capital balances related to operations:				
Accounts receivable	1,827	(672)	2,449	(377)
Inventories	771	477	(119)	(857)
Prepaid expenses and deposits	(128)	179	(265)	135
Accounts payable and accrued liabilities	(442)	(945)	(1,466)	(227)
Interest payable on subordinated notes	—	(689)	—	(523)
Cash provided by (used in) operating activities	1,306	(969)	553	12
FINANCING ACTIVITIES				
Decrease in restricted cash	—	325	—	322
Issuance of long-term debt, net of issuance costs	—	4,533	—	4,533
Repayment of subordinated notes	—	(2,250)	—	(2,250)
Increase (decrease) in bank operating loan	(768)	(1,758)	1,683	(2,373)
Issuance of warrants, net of issuance costs	—	744	—	744
Deferred operating costs of operating loan	—	(253)	—	(253)
Repayment of long-term debt	(63)	—	(187)	—
Increase in other long-term liabilities	29	—	15	(24)
Cash provided by (used in) financing activities	(802)	1,341	1,511	699
INVESTING ACTIVITIES				
Acquisition <i>[note 4]</i>	(32)	—	(1,474)	—
Acquisition of property, plant and equipment	(397)	(22)	(643)	(361)
Cash used in investing activities	(429)	(22)	(2,117)	(361)
Net increase (decrease) in cash during the period	75	350	(53)	350
Cash, beginning of period	106	1	234	1
Cash, end of period	181	351	181	351
Supplemental cash flow information				
Interest paid	277	875	630	1,057

See accompanying notes

Adeptron Technologies Corporation

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[unaudited]

[in thousands of dollars, except as noted]

September 30, 2007

1. DESCRIPTION OF THE BUSINESS

Adeptron Technologies Corporation [the "Company"] is a public company traded on the Toronto Stock Exchange under the symbol ATQ and was formed under the Business Corporations Act (Alberta). The Company's principal business activities include providing a full range of electronics manufacturing services to the global electronics market.

2. SIGNIFICANT ACCOUNTING POLICIES

[a] Basis of presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ["GAAP"] for interim consolidated financial statements. The disclosures contained in these unaudited consolidated financial statements do not include all requirements of GAAP for annual consolidated financial statements. These unaudited consolidated financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2006.

These unaudited consolidated financial statements are based upon accounting policies consistent with those used and described in note 2 to the December 31, 2006 audited financial statements, except as described below and in note 3.

These unaudited consolidated financial statements reflect all adjustments, which are, in the opinion of management, necessary to present fairly the financial position of the Company as at September 30, 2007 and the results of its operations and its cash flows for the three-month and nine-month periods ended September 30, 2007 and 2006.

[b] Basis of consolidation

The accompanying consolidated financial statements include the assets, liabilities, and operating results of the Company and its wholly owned subsidiaries. All inter-company transactions and balances have been eliminated on consolidation.

[c] Foreign currency translation

The assets and liabilities of the Company's self-sustaining operations, having a functional currency other than Canadian dollars, are translated into Canadian dollars using the exchange rates in effect at the consolidated balance sheet dates. Revenues and expenses are translated at the average rate during the periods. Exchange gains and losses arising from the translation

Adeptron Technologies Corporation

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[unaudited]

[in thousands of dollars, except as noted]

September 30, 2007

of the Company's net equity investment in these operations are recognized as other comprehensive income and are included as a separate component of shareholders' equity.

[d] Intangible assets

The identified acquired intangible assets include customer relationships and customer-specific programming, which will be amortized over their remaining useful life of three years.

3. CHANGES IN ACCOUNTING POLICIES

The Company adopted The Canadian Institute of Chartered Accountants ["CICA"] Handbook Sections 3855, "Financial Instruments – Recognition and Measurement"; 3861, "Financial Instruments – Disclosure and Presentation"; 3865, "Hedges" and 1531, "Comprehensive Income" on January 1, 2007. These standards reflect that fair value, not historical cost, is the appropriate way for measuring certain financial instruments. The adoption of the new standards resulted in changes in the accounting of financial instruments as well as the recognition of certain adjustments as described below. The comparative financial statements have not been restated.

On January 1, 2007, the Company recorded the following adjustments to the consolidated balance sheets to adopt the new requirements:

	As at January 1, 2007
	\$
Prepaid expenses, deposits and other assets	93
Other assets	(375)
Accounts payable and accrued liabilities	70
Long-term debt	(384)
Deficit	32

The principal changes in the accounting for financial instruments and hedges are described below:

[a] Comprehensive income

Comprehensive income is comprised of the Company's net income and other comprehensive income. During the three-month period ended March 31, 2007, the Company did not have any items that meet the criteria for recognition as comprehensive income. As a result of the acquisition completed by the Company on May 31, 2007 described in note 4, the Company

Adeptron Technologies Corporation

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[unaudited]

[in thousands of dollars, except as noted]

September 30, 2007

recorded a loss of \$122 on translation of the Company's net equity investment in foreign operations during the three-month period ended September 30, 2007. For the nine-month period ended September 30, 2007, the loss on translation was \$123. The unrealized loss is recorded as other comprehensive loss in the consolidated statements of comprehensive income.

[b] Hedges and derivatives

The new accounting rules require that hedging derivatives be recorded at fair value in the consolidated balance sheets. The Company does not engage in any formal hedging activities with third party providers. As a result, there is no impact of this change in accounting policy in the consolidated financial statements.

The Company has purchase and sales contracts denominated in a foreign currency, other than the functional currency of one of the substantial parties of the contract. The Company has determined that these contracts contain an embedded derivative. As a result of the change in accounting policy, the embedded foreign currency derivative must be bifurcated from the host purchase or sale contract and recorded in the consolidated balance sheets at fair value. As at September 30, 2007, the Company has recorded an asset of \$202 related to purchase contracts and a liability of \$249 related to sales contracts. For the three-month and nine-month periods ended September 30, 2007, a charge of \$7 and \$70, respectively, was recorded in the consolidated statements of income and deficit related to the change in fair value of the embedded foreign currency derivatives.

[c] Effective interest method

Prior to January 1, 2007, long-term debt deferred financing costs were recorded in the consolidated balance sheets as other assets and were amortized over the life of the debt on a straight-line basis. The new rules require that the effective interest method be used to amortize financing costs whereby the amount recognized as expense varies over the life of the debt based on the balance outstanding. In addition, the financing costs are recorded in the consolidated balance sheets as a reduction of the outstanding debt balance.

As at January 1, 2007, financing costs were adjusted to reflect what the balance would have been had the effective interest method been used from the inception date of the debt. In addition, other assets and long-term debt were adjusted to reflect the recording of the financing costs as a reduction of long-term debt rather than as other assets. The impact was a decrease in other assets of \$375, a decrease in long-term debt of \$384 and a decrease in the deficit of \$9.

Adeptron Technologies Corporation

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[unaudited]

[in thousands of dollars, except as noted]

September 30, 2007

4. ACQUISITION

On May 31, 2007, the Company acquired all of the issued and outstanding shares of Pacific Circuit Assembly, Inc. ["PCA"], a San Jose based electronics manufacturing services provider. Purchase consideration consisted of \$1,300 in cash paid on closing, \$802 in notes payable, and 903,520 common shares of the Company. The notes payable bear interest at 5% per annum and are repayable in equal annual instalments over a three year period. The notes payable were recorded at a fair value using a discount rate of 10% and amounting to \$734 and are being accreted using the effective interest rate method to the principal amount, which is denominated in US dollars. The carrying amount of the notes payable as at September 30, 2007, after adjusting for the accretion of interest, was \$694, of which \$249 is shown as current portion of long-term debt on the consolidated balance sheets. The fair value of share consideration was based on the market price of the Company's common shares over a short period before and after the announcement of the acquisition. The Company incurred \$280 in acquisition costs related to this transaction, of which \$38 are in accounts payable and accrued liabilities at September 30, 2007.

The acquisition of PCA has been accounted for using the purchase method and accordingly, the results of operations have been included in these consolidated financial statements from the date of acquisition. The consideration paid has been allocated to the net assets acquired on their respective fair values and the excess has been recorded as goodwill. The allocation of the purchase price is preliminary, as the Company has not yet finalized the valuation of the intangible assets acquired. Any changes to the valuation of the intangible assets may also impact the amounts allocated to future tax liabilities. The Company expects to complete the purchase price allocation during the fourth quarter of 2007. The preliminary purchase price allocation detailed below reflects management's best estimate as of the date of preparation of these consolidated financial statements:

	\$
Net assets acquired:	
Current assets, excluding cash acquired	468
Property, plant and equipment	1,181
Intangible assets	364
Goodwill	1,105
Future income taxes	(419)
Accounts payable and accrued liabilities	(236)
	<hr/> 2,463
Cash acquired	68
Fair value of net assets acquired	<hr/> 2,531 <hr/>

Adeptron Technologies Corporation

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[unaudited]

[in thousands of dollars, except as noted]

September 30, 2007

	\$
Purchase consideration consists of :	
Cash	1,300
Notes payable	734
Common shares	217
Acquisition costs	280
Total purchase consideration	2,531

5. BANK CREDIT AGREEMENT

On September 21, 2006, the Company entered into a three-year credit agreement with a senior lender that provides the Company with an aggregate senior lending facility in the amount of up to \$6,750. The total senior lending facility is comprised of a \$6,000 revolving credit facility and a \$750 term loan facility. The aggregate senior lending facility is collateralized by a first ranking general security agreement covering substantially all of the Company's assets.

The Company incurred financing costs of \$253 related to the credit agreement and these costs have been recorded in the consolidated balance sheets as deferred financing costs in other assets. These deferred financing costs will be amortized over the three-year term of the agreement and will be included in the consolidated statements of income and deficit as interest expense.

[a] Revolving credit facility

Under the revolving credit facility, the Company can borrow by way of Canadian dollar prime rate loans or U.S. dollar base rate loans. In addition, the revolving credit facility allows for the issuance of letters of credit and has a foreign exchange trading component. The maximum availability under the revolving credit facility is based on certain terms and conditions, including, but not limited to, the levels of accounts receivable and inventories and is established on an ongoing basis. Borrowings under this facility are subject to interest at the bank's prime rate plus 1% for Canadian dollar loans and the U.S. base rate plus 0.5% for U.S. dollar loans and is payable monthly.

As at September 30, 2007, the Company's bank operating loan balance of \$2,395 was within its borrowing limit based on the accounts receivable and inventory margining conditions in its agreement with its senior lender. Under the revolving credit facility, the effective interest rate for the three-month and nine-month periods ended September 30, 2007 was 7.3%.

Adeptron Technologies Corporation

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[unaudited]

[in thousands of dollars, except as noted]

September 30, 2007

[b] Term loan facility

In addition, the Company borrowed \$750 under its term loan facility with its senior lender. The term loan is repayable over 36 months in equal monthly instalments which commenced on November 1, 2006. The term loan is subject to interest on the outstanding balance at the bank's prime rate plus 1.5% and interest is payable monthly. The effective interest rate for the three-month and nine-month periods ended September 30, 2007 was 7.7% and 7.6%, respectively. The term loan balance at September 30, 2007 was \$521 and is classified as long-term debt in the consolidated balance sheets, of which \$250 is shown as current portion of long-term debt.

The credit agreement contains various covenants that the Company must comply with including financial covenants related to minimum levels of net assets and interest coverage, and maximum levels of capital spending. As at September 30, 2007, the Company did not comply with certain financial covenants contained in the credit agreement and as a result, it was in a default position with respect to the credit agreement. Subsequent to September 30, 2007, the Company and the senior lender signed an amendment to the credit agreement which in effect waived the default conditions with respect to the financial covenants as at September 30, 2007. In addition, the amendment agreement revised the financial covenant calculations included in the original credit agreement on a prospective basis.

6. LONG-TERM FINANCING

On September 21, 2006, the Company completed a private placement financing consisting of a subordinated debenture and common share purchase warrants in the amount of \$5,000. As part of the private placement, the Company issued 6,851,000 common share purchase warrants, each of which entitles the holder thereof to purchase one common share of the Company for \$0.20 per common share for a period of five years. The subordinated debenture has a principal amount of \$5,000, a term of 66 months and carries interest at 12% per annum, payable monthly. In addition, beginning on November 1, 2008, the Company will make principal repayments of \$35 per month for 42 months with the remaining outstanding principal due at the end of the 66-month term. The subordinated debenture is collateralized by a second ranking general security agreement covering substantially all of the Company's assets.

The Company has allocated the \$5,000 gross proceeds received from the private placement to debt and equity based on the relative fair values of the common share purchase warrants and the subordinated debenture. The fair value of the common share purchase warrants was determined to be \$822 using an option-pricing model. The fair value allocated to the subordinated debenture was based on an effective interest rate of 17% and was determined to be \$4,178. In addition, the Company incurred financing costs of \$473 related to the private placement and these costs have

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been allocated on a pro-rata basis to debt and equity, amounting to \$395 and \$78, respectively. The amount related to the issuance of the subordinated debenture has been recorded in the consolidated balance sheets as a reduction to the carrying value of the subordinated debenture. These financing costs will be amortized using the effective interest rate method over the 66-month term of the subordinated debenture and will be included in the consolidated statements of income and deficit as interest on long-term debt. The amount allocated to equity is included as a reduction in the warrant value within shareholders' equity. Interest expense on the subordinated debenture, including amortization of the financing costs, will be charged to income at the effective rate of 20%.

The carrying value for the subordinated debenture is as follows:

	September 30, 2007	December 31, 2006
	\$	\$
Principal of subordinated debenture	5,000	5,000
Amount allocated to warrants	(822)	(822)
Amount allocated to subordinated debenture	4,178	4,178
Financing costs	(395)	—
	3,783	4,178
Interest accrued but not paid	163	28
	3,946	4,206

The subordinated debenture agreement contains various covenants that the Company must comply with including financial covenants related to the ratio of current assets to current liabilities, debt coverage, interest coverage and debt to equity. As at September 30, 2007, the Company did not comply with certain financial covenants contained in the subordinated debenture agreement and as a result, it was in a default position with respect to the debenture agreement. Subsequent to September 30, 2007, the Company entered into a forbearance agreement with its subordinated lender in which the lender has agreed to waive its right to enforce the security it holds in the assets of the Company. Under the terms of the forbearance agreement, the lender has agreed to this waiver as it relates to the covenants that were breached as at September 30, 2007. The agreement will remain in effect until the earlier of September 30, 2008 or the occurrence of a further event of default, as defined in the original debenture agreement or in the forbearance agreement. In particular, the forbearance agreement contains additional financial targets that must be met over the term of the agreement.

In consideration for the forbearance agreement, the Company will pay to the lender a finance fee of \$50 per quarter that the forbearance agreement is in effect. If this fee cannot be paid as a result of other agreements the Company has in effect, the finance fee will be added to the outstanding

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principal balance of the debenture. As at September 30, 2007, 6,851,000 common share purchase warrants related to the private placement financing remain outstanding.

Long-term debt includes the term loan facility as disclosed in note 5[b] and the notes payable as described in note 4.

7. SUBORDINATED NOTES

During 2004, the Company issued subordinated notes with a principal amount of \$2,250. These notes were subordinated to the bank operating loan and accrued interest at a rate of 12% per annum. In September 2006, the Company paid \$3,014 to the note holders which represented full payment of the original principal and all interest accrued and unpaid up to September 29, 2006. As a result of this payment, the Company has no further debt obligation related to these subordinated notes.

8. SHARE CAPITAL

[a] Authorized

Unlimited non-voting preferred shares
Unlimited voting common shares without nominal or par value

[b] Common shares issued

The common shares issued and outstanding as at September 30, 2007 were 36,707,000 [2006 - 35,804,000].

On May 31, 2007, the Company issued 903,520 common shares as part of the total purchase price related to the acquisition of PCA [note 4].

On November 21, 2006, the Company completed a private placement with a newly appointed director of the Company. Simultaneously, the Company entered into a consulting arrangement with this director. The private placement was for aggregate gross proceeds of \$200 on the issuance of 1,000,000 units and share issue costs related to the private placement were \$12. Each unit includes one common share and one-half common share purchase warrants [note 8[c]]. The fair value of the units exceeded the gross proceeds by approximately \$49. This amount was recorded as stock-based compensation in the consolidated statements of income and deficit in 2006.

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[c] Warrants

	Warrants #	Amount \$
	[000's]	
Balance, December 31, 2005	2,097	112
Expired unexercised [i]	(557)	—
Modification of warrants [i]	—	61
Exercise of common share purchase warrants [i]	(191)	(21)
Issued on private placement, net of issuance costs [ii]	6,851	744
Issued on private placement, net of issuance costs [iii]	500	49
Balance, December 31, 2006	8,700	945
Expired unexercised [i]	(1,349)	(152)
Balance, September 30, 2007	7,351	793

[i] Warrants outstanding at December 31, 2005 include 1,540,000 common share purchase warrants issued in relation to the subordinated notes [note 7] where each warrant was originally exercisable for one common share at a price of \$0.35 for a period of 24 months. During 2006, the Company modified the warrants whereby each warrant is exercisable for one common share at a price of \$0.25. During 2006, 191,000 warrants were exercised for cash proceeds of \$48. On August 31, 2007, the remaining 1,349,000 of these warrants expired unexercised and the book value of the warrants of \$152 was transferred to contributed surplus.

In addition, the Company's agent for the subordinated notes was issued common share purchase warrants entitling the agent to acquire up to a maximum of 557,000 common shares at a price of \$0.35 per share for a 24-month period. During 2006, these warrants expired unexercised.

[ii] As part of the private placement described in note 6, the Company issued 6,851,000 common share purchase warrants, each of which entitles the holder thereof to purchase one common share of the Company for \$0.20 per common share for a period of five years. The fair value of the common share purchase warrants was determined to be \$822 using an option-pricing model. The Company incurred financing costs related to the private placement and the pro-rata amount of these costs allocated to equity amounted to \$78.

[iii] As part of the private placement described in note 8[b], the Company issued 500,000 common share purchase warrants, each of which is exercisable into one common share for a period of 48 months at an exercise price of: [i] \$0.30 for the period between the date of issuance and the second anniversary of issuance; [ii] \$0.40 for the period between the second and third

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anniversaries of issuance; and [iii] \$0.50 for the period between the third anniversary and expiry of the warrants. The fair value of the common share purchase warrants was determined to be \$49 using an option-pricing model.

[d] Stock options

The Company has established a stock option plan for its directors, officers, employees and consultants, whereby options to a maximum of 4,556,000 common shares may be granted subject to certain terms and conditions. Stock options vest over a period of up to three years and expire at various dates through 2012.

As at September 30, 2007, the exercise price of outstanding stock options was \$0.18 to \$0.51 [2006 - \$0.18 to \$0.51] per common share. Changes in the number of options, with their weighted average exercise prices for the nine-month periods ended September 30, 2007 and 2006 are summarized below:

	2007		2006	
	Number of options [000's]	Weighted average exercise price \$	Number of options [000's]	Weighted average exercise price \$
Outstanding, beginning of period	3,240	0.34	2,434	0.43
Granted	450	0.25	430	0.20
Forfeited/expired	(1,266)	0.40	(205)	0.90
Outstanding, end of period	2,424	0.30	2,659	0.36
Options exercisable, end of period	1,574	0.31	2,246	0.39

During the three-month and nine-month periods ended September 30, 2007, the Company recorded \$37 [2006 - \$11] and \$89 [2006 - \$43], respectively, of stock-based compensation expense. These amounts are included in selling, general and administrative expenses and contributed surplus.

For the three-month and nine-month periods ended September 30, 2007, the weighted average estimated fair value at the date of the grant was \$0.14 [2006 - nil] and \$0.15 [2006 - \$0.12], respectively, per option.

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9. INTEREST EXPENSE

Interest expense is comprised of the following:

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
Interest on long-term debt [notes 3, 4, 5 and 6]	223	24	639	24
Interest on bank operating loan [note 5]	85	123	202	334
Interest on subordinated notes [note 7]	—	75	—	302
Total interest expense	308	222	841	660

10. BUSINESS RESTRUCTURING

The Company restructured its operations resulting in the closing of a manufacturing facility in Markham, Ontario and the consolidation of these operations into its main facility in Markham, Ontario. The restructuring resulted in staff reductions and consolidation of office and manufacturing space.

During the three-month and nine-month periods ended September 30, 2007, the restructuring expense was \$450. Of this amount, \$270 remains as an obligation consisting of [i] an estimated \$159 relating to facility leases that will be paid out over the remaining lease period which extends to 2011, and [ii] \$111 relating to severance. The long-term portion of the restructuring obligation is \$45 and is recorded in other long-term liabilities, and the current portion is recorded in accounts payable and accrued liabilities.

11. COMMITMENTS AND CONTINGENCY

As a result of the acquisition of PCA, the Company has a 26-month lease related to a manufacturing facility. The monthly lease payments are approximately \$16 per month resulting in a total commitment of approximately \$404.

In December 2006, the Company received an order from the Pay Equity Commission of Ontario requiring it to develop and implement a pay equity plan for its operations in Ontario. In addition, the order requires the Company to pay any retroactive pay equity adjustments, in accordance with Ontario pay equity legislation, that may be warranted as a result of the plan's implementation. The Company began a process that it believed would allow it to achieve compliance with the order before the end of 2007. However, during the third quarter of 2007, the Company determined that

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the process could not be completed by the end of 2007 and requested an extension to June 30, 2008. As a result of the request for an extension, the Pay Equity Commission of Ontario filed an application with the Pay Equity Hearings Tribunal requesting that the tribunal issue an order that the Company comply with the original order issued by the Commission in December 2006. The Company is in the process of responding to the Pay Equity Hearings Tribunal. In the interim, the Company is continuing its internal process that will allow it to comply with the original order by June 30, 2008 or earlier. At this time, the Company is unable to determine the likelihood and amount, if any, of any potential retroactive pay equity adjustments.

12. RELATED PARTY TRANSACTIONS

In 2006, the Company entered into a consulting agreement with a newly appointed director of the Company. During the three-month and nine-month periods ended September 30, 2007, the Company paid \$15 [2006 - nil] and \$50 [2006 - nil], respectively, in fees in regard to this consulting agreement.

13. FINANCIAL INSTRUMENTS

[a] Fair values

The carrying values of cash, accounts receivable, bank operating loan and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these financial instruments.

The carrying value of long-term debt, comprised of the subordinated debenture, term loan and notes payable, approximates its fair value due to the relatively short period since the debt instruments were issued, the fact that there have been minimal changes in prevailing interest rates, and the long-term risk profile of the Company has not significantly changed.

[b] Credit risk

As at September 30, 2007, the Company's two largest customer accounts receivable balances represented 29% [2006 - 46%] of the total accounts receivable balance.

[c] Foreign currency risk

The Company's activities that result in exposure to fluctuations in foreign currency exchange rates consist of the sale of products to customers invoiced in foreign currencies and the purchase of services, raw materials and property and equipment from suppliers invoiced in foreign currencies. The Company does not use derivative instruments to hedge its currency

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risk. Of the Company's accounts receivable and accounts payable at September 30, 2007, 54% [2006 - 67%] and 46% [2006 - 57%], respectively, are denominated in foreign currencies. During the nine-month period ended September 30, 2007, approximately 70% [2006 - 66%] of sales were incurred in U.S. dollars.

14. SEGMENTED INFORMATION

The Company operates in one business segment, which is the supply of electronics manufacturing services. The Company markets its services primarily in Canada and the United States.

Sales attributable to geographic location based on the location of the customer for the nine-month periods ended September 30, 2007 and 2006 are as follows:

	2007	2006
	\$	\$
Canada	18,733	25,945
United States	9,756	7,035
	28,489	32,980

For the nine-month period ended September 30, 2007, sales to the Company's two largest customers represent 33% [2006 - 48%] of the Company's total sales. The two customers represent 22% [2006 - 31%] and 11% [2006 - 17%] of total sales, respectively.

All of the Company's identifiable assets as at September 30, 2007 and December 31, 2006 are located in Canada and the United States as detailed below.

Current assets are located as follows:

	September 30, 2007	December 31, 2006
	\$	\$
Canada	9,726	11,859
United States	577	—
	10,303	11,859

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Property, plant and equipment, and other assets are located as follows:

	September 30, 2007	December 31, 2006
	\$	\$
Canada	2,465	2,768
United States	1,322	—
	3,787	2,768

Goodwill is located as follows:

	September 30, 2007	December 31, 2006
	\$	\$
Canada	5,531	5,531
United States	1,028	—
	6,559	5,531

15. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the September 30, 2007 unaudited financial statements.