



ADEPTRON TECHNOLOGIES CORPORATION

QUARTERLY SHAREHOLDER REPORT

Results for the Three-month and Nine-month Periods Ended September 30, 2008

TSX – 'ATQ'



MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the three and nine-month periods ended September 30, 2008

November 13, 2008

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, 2008 as well as the Company's audited consolidated financial statements and accompanying Management's Discussion and Analysis for the year-ended December 31, 2007.

Unless otherwise noted herein, all amounts are in thousands and Canadian dollars except, share and per share amounts.

The accompanying unaudited interim consolidated financial statements include the accounts of Adeptron and its wholly-owned subsidiaries, Adeptron, USA Inc. ("Adeptron USA"), a Delaware company that owns all of the issued and outstanding shares of Pacific Circuits Assembly, Inc. ("PCA"), a California company that operates the San Jose plant.

As used in this discussion and unless the context otherwise requires, or unless otherwise indicated, all references to "Adeptron", the "Company", "we", "us", "our", or similar expressions, refer to Adeptron Technologies Corporation and its consolidated subsidiaries.

The preparation of financial statements and related disclosures in conformity with Canadian GAAP requires management to make estimates that affect the reported amounts of assets, liabilities, revenues, expenses and contingencies. Management bases its estimates on historical experience and on other assumptions that are believed, at the time, to be reasonable under the circumstances. Under different assumptions or conditions, the actual results may differ, potentially materially, from those previously estimated. Many of the conditions impacting these assumptions and estimates are outside of Adeptron's control. Adeptron evaluates such estimates and assumptions on a periodic basis.

Forward Looking Statements

Certain statements contained in the following Management's Discussion and Analysis, and elsewhere in Adeptron's accompanying unaudited interim consolidated financial statements, 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 credit and financing;

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 31, 2008 and other documents filed by the Company with Canadian securities regulators from time to time. Additional information related to the Company is available on SEDAR at www.sedar.com.

The Company disclaims 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 the Company's accompanying unaudited interim consolidated financial statements and this Management's Discussion and Analysis with the understanding that Adepron'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.

Use of Non-GAAP Financial Measures

Except as otherwise indicated, references in this Management's Discussion and Analysis to "EBITDA" are to earnings before interest, tax, depreciation, amortization, goodwill impairment, loss on settlement of subordinated debenture, and stock-based compensation. EBITDA is not a recognized measure under Canadian generally accepted accounting principles. However, management believes that EBITDA as herein defined 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-recurring and 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.

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1. OVERVIEW AND BUSINESS OF THE COMPANY

Adeptron was formed by amalgamation on January 1, 2003 under the *Business Corporations Act* (Alberta). The Company changed its name from Electronics Manufacturing Group Inc. ("EMG") to Adeptron Technologies Corporation on December 31, 2002. The Company has a wholly-owned subsidiary, Adeptron USA, a Delaware company that owns all of the issued and outstanding shares of PCA, the California operating company.

Adeptron's head office is located in Markham, Ontario, a suburb of Toronto. The Company operates out of leased facilities in Markham, Ontario comprising approximately 43,000 square feet, a 56,000 square foot leased facility in Ottawa, Ontario and a 20,000 square foot leased facility in San Jose, California, USA.

Adeptron provides its customers with an array of electronics manufacturing services ("EMS") in relation to third party electronic products and assemblies and derives all of its sales from the provision of these services. Adeptron services the North American electronics industry with a focus on low and medium volume, high complexity, commercial and industrial electronic products. Adeptron produces electronic assemblies under both turnkey and consignment (labour-only build contracts) for customers whose products and end users represent a wide variety of markets.

The Company also provides many additional services related to the printed circuit board assembly process either on a stand-alone basis or as value-added services to its customers. In all aspects of its EMS business including raw materials procurement, flexible supply arrangements and design-related services, Adeptron continuously strives to achieve cost reductions and optimal quality outcomes for its customers.

In May 23, 2008, R.H. Global Technologies Ltd. ("RGT") acquired 62% of the issued and outstanding common shares of Adeptron. RGT was formed and is jointly owned by R.H. Technologies Ltd. ("RH") and FIMI Opportunity Fund ("FIMI"). The mission of RGT is to establish a global EMS group through M&A activity. RH is the leading EMS provider in Israel since 1984, serving leading Israeli and multinational OEMs and employs over 1,000 employees with a turnover of approximately \$180 million in 2007. RH is listed on the Tel Aviv Stock Exchange. FIMI is the largest private equity fund in Israel.

Following this transaction, Adeptron is part of an affiliated group of companies, having annual global revenues of approximately \$250,000, and that provides manufacturing services from six facilities worldwide including Markham and Ottawa in Ontario, San Jose and Livermore in California, Israel, and through its partner in China.

2. OVERVIEW OF BUSINESS ENVIRONMENT

Since the 1990s, Original Equipment Manufacturers (OEMs) have shifted more of their manufacturing and supply chain activities to EMS providers in an effort to drive greater manufacturing flexibility and to improve their financial returns. In response, the EMS industry has grown rapidly and its capabilities and services have evolved.

The EMS industry is highly competitive with multiple global EMS providers competing for the same customers and programs. Although the industry is characterized by significant revenue opportunities, operating margins are comparatively low. The recent increases in energy prices have resulted in higher raw materials and transportation costs for the EMS industry, which could impact operating margins. Asset utilization is also an important factor affecting operating margins. The amount of available manufacturing

capacity and the location of that capacity are vital considerations for EMS providers. The EMS industry is also working capital intensive. As a result, return-on-invested-capital, which encompasses operating margins, inventory management, accounts receivable and accounts payable, is one of the most important metrics for measuring an EMS provider's financial success.

EMS companies are exposed to a variety of customers and end markets. Demand visibility is limited which makes revenue in each of our end markets difficult to predict. This is primarily due to the shorter product lifecycles inherent in technology markets, rapid shifts in technology for our customers' products, and general economic uncertainty. In the early 2000s, a global economic downturn led to a decline in demand for many technology products. This negatively impacted the operations of many EMS providers. The recent economic conditions and uncertainty may have an adverse impact on the financial condition and results from operations of the Company over the next several quarters and beyond.

3. INVESTMENTS AND CAPITALIZATION

Adeptron is listed on the Toronto Stock Exchange, trading under the symbol ("ATQ"). On January 1, 2008, the Company had 36,707,755 common shares issued and outstanding.

The table below sets out the number of issued and outstanding common shares as well as the number of issued and outstanding options to purchase common shares, in each case as at September 30, 2008.

Common Shares	96,707,755
Warrants to purchase common shares	500,000
Options to purchase common shares	1,681,000
Total diluted shares outstanding	98,888,755

On May 7, 2008, the Company obtained special shareholder approval to issue common shares at \$0.10 per share for gross proceeds of \$6,000. On May 22, 2008, the Company completed a private placement equity financing (the "Private Placement"), with a group that includes a leading EMS provider in Israel, for \$6,000 worth of common shares of the Company issued at \$0.10 per share. The proceeds from the Private Placement were used to repay the Company's outstanding \$5,000 subordinated debenture together with outstanding interest and other fees with the remaining balance being added to working capital. In connection with the pre-payment of the debenture, the 6,851,247 common share purchase warrants held by the debenture holder were cancelled without further consideration.

On November 12, 2008, the Company's majority shareholder, RGT, injected \$1,500 into the Company by way of a subordinated loan with maturity on November 30, 2010. In addition to the subordinated loan, the Company will issue 18,750,000 warrants to RGT at \$0.08 per share for a period of three years, subject to TSX approval.

4. RESULTS OF OPERATIONS

Highlights

Overall performance for the three-month period ended September 30, 2008

- ◆ Sales increased by \$1,456 or 18% over the third quarter of 2007 to \$9,636
- ◆ Gross margin improved to 15.5% compared to 10.5% for the same period last year
- ◆ Net income of \$104 compared to a net loss of \$1,102 for the same period last year
- ◆ EBITDA of \$541 compared to an EBITDA loss of \$514 for the same period last year

- ◆ Free cash flow of \$43; operating loan balance of \$5,312
- ◆ Earnings of nil per share compared to loss of \$0.03 per share last year
- ◆ Subsequent to the end of the third quarter, the senior lender has agreed to amend the terms of the credit agreement and waive the non-compliance of the financial covenants for all periods prior to September 30, 2008

Financial Results

Selected Consolidated Financial Information

Quarterly Data

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

For the three-month ended	30-Sep-08	30-Jun-08	31-Mar- 08	31-Dec-07
Sales	\$9,636	\$10,191	\$9,819	\$9,917
Gross profit	\$1,489	\$1,518	\$1,268	\$1,448
Gross profit %	15.5%	14.9%	12.9%	14.6%
Income (Loss) before the following items:	\$104	\$(781)	\$(266)	\$(195)
Goodwill impairment	—	—	—	\$(5,531)
Restructuring	—	\$(158)	\$(350)	\$(201)
Net income (loss)	\$104	\$(939)	\$(616)	\$(5,927)
EBITDA	\$541	\$326	\$41	\$213
Basic & diluted loss per share	—	\$(0.01)	\$(0.02)	\$(0.16)

For the three-month ended	30-Sep-07	30-Jun-07	31-Mar- 07	31-Dec-06
Sales	\$8,180	\$10,149	\$10,160	\$10,852
Gross profit	\$857	\$1,571	\$1,724	\$1,970
Gross profit %	10.5%	15.5%	17.0%	18.2%
Income (Loss) before the following items:	\$(652)	\$10	\$163	\$307
Goodwill impairment	—	—	—	—
Restructuring	\$(450)	—	—	—
Net income (loss)	\$(1,102)	\$10	\$163	\$307
EBITDA	\$(514)	\$481	\$602	\$889
Basic & diluted income per share	\$(0.03)	\$0.00	\$0.00	\$0.01

EBITDA Reconciliation

(in thousands of dollars)

For the three-month ended	30-Sep-08	30-Jun-08	31-Mar-08	31-Dec-07
Net income (loss) per GAAP	\$104	\$(939)	\$(616)	\$(5,927)
Add (deduct):				
Interest on term loan	7	8	10	13
Loss on settlement of subordinated debenture	—	638	—	—
Interest on subordinated debenture	—	167	251	247
Income tax expense (recovery)	—	—	—	(61)
Interest on bank operating loan	113	103	79	93
Interest on notes payable	14	16	17	17
Depreciation and amortization	303	301	296	265
Goodwill impairment	—	—	—	5,531
Stock-based compensation	—	32	4	35
EBITDA	\$541	\$326	\$41	\$213

For the three-month ended	30-Sep-07	30-Jun-07	31-Mar-07	31-Dec-06
Net income per GAAP	\$(1,102)	\$10	\$163	\$307
Add:				
Interest on term loan	13	14	16	17
Loss on settlement of subordinated debenture	—	—	—	—
Interest on subordinated debenture	192	190	190	194
Income tax expense (recovery)	(20)	(14)	—	—
Interest on subordinated notes	—	—	—	—
Interest on bank operating loan	85	68	49	71
Interest on notes payable	18	6	—	—
Depreciation and amortization	263	186	153	163
Goodwill impairment	—	—	—	—
Stock-based compensation	37	21	31	137
EBITDA	\$(514)	\$481	\$602	\$889

Results of Operations

Sales

Sales for the third quarter of 2008 of \$9,636 increased 18% from \$8,180 for the same period in 2007. Sales increased 4% to \$29,646 in the first nine months of 2007 compared to the same period in 2007.

Significant volume ramp-up from two top customers each selling a range of proprietary technology products that are marketed world-wide materialized during the third quarter of 2008 as compared to the same period in 2007. Just recently, the Company was selected to provide electronics manufacturing solutions and services valued at over \$15 million annually to an OEM of a top selling range of proprietary technology products. Further, the Company was also selected to provide electronics manufacturing solutions and services on a turnkey basis valued at over \$4 million annually to an OEM of a top selling line of products used in commercial applications. This improvement in the third quarter had the effect of positively impacting the nine-month sales result and bettering the same period in 2007. For the nine-month period ended September 30, 2008, sales to the Company's two largest customers during the quarter represented 26% (2007 - 33%) of the Company's total sales. The two customers represented 15% (2007 -

22%) and 11% (2007 - 11%) of total sales, respectively. The results were in line with management's expectations.

Our sales vary from period to period depending on the level of business and seasonality in each of our end markets, as well as the mix and complexity of the products being manufactured, among other factors. The Company is dependent upon continued sales from our largest customers. There can be no assurance that revenue from these or any other customers will not decrease in absolute terms or as a percentage of sales. Any material decrease in sales from these or other customers could have a material adverse effect on the Company's results. A continuing economic downturn or uncertainty could adversely affect our customers and negatively impact our financial results.

Gross Profit

	Three month period ended September 30,		Nine month period ended September 30,	
	2008	2007	2008	2007
Gross Profit \$	\$ 1,489	\$ 857	\$ 4,275	\$ 4,151
Gross	15.5%	10.5%	14.4%	14.6%

Gross profit for the third quarter of 2008 increased \$632, or 74%, to \$1,489 compared with the same period in 2007. Gross profit as a percentage of sales for the third quarter of 2008 was 15.5% compared to 10.5% for the same period in 2007. The increase in gross profit and percentage in the third quarter of 2008 in comparison to the same period in 2007 is largely due to an increased sales level in Markham and San Jose and the change in mix in customers, product mix and changes in the mix of turnkey versus consignment production.

Gross profit for the nine-months ended September 30, 2008 was consistent at \$4,275 compared to \$4,151 for the nine-months ended September 30, 2007. Gross profit, expressed as a percentage of sales for the nine-months ended September 30, 2008, was also consistent at 14.4% compared to 14.6% for the nine-months ended September 30, 2007.

Selling, General and Administrative Expense

Selling, general and administrative ("SG&A") expenses increased 4.9% to \$1,209 (12.5% of sales) in the third quarter of 2008 compared to \$1,153 (14.1% of sales) for the same period in 2007. SG&A expenses for the nine-months ended September 30, 2008 increased 1.1% to \$3,658 (12.3% of sales) compared to \$3,617 (12.7% of sales) for the same period in 2007. Increases in SG& A expenses for the third quarter of 2008 is due primarily to higher variable compensation costs due to higher sales level.

Change in fair value of embedded derivative

As required by accounting policy changes adopted in 2007, the Company recorded a gain related to the change in the asset and liability values of embedded derivatives contained in certain foreign currency denominated sale and purchase contracts. Adepton experienced a gain in the amount of \$55 and \$7 for the three-months and nine-months ended September 30, 2008, respectively, in comparison to a gain of \$173 and an expense of \$70, respectively, for the three-month and nine-month periods ended September 30, 2007.

Interest expense

The Company entered into a three-year credit agreement with a senior lender on September 21, 2006 that provides the Company with a senior lending facility which includes a \$6.0 million revolving credit facility. Interest on the bank operating loan is the interest and associated loan fees paid on the revolving credit facility. Under the revolving credit facility, the effective interest rate for the third quarter was 5.8%. Interest on bank operating loan for the three-month and nine-month periods ended September 30, 2008 was \$113 and \$295, respectively, compared to \$85 and \$202, respectively, for the three-month and nine-month periods ended September 30, 2007. The increase in interest expense is due primarily to higher borrowing levels and slightly higher interest rates in the third quarter 2008 compared to the same period in 2007.

In addition to the bank operating loan described above, and as part of a three-year credit agreement with the senior lender, the Company also has a \$750 thousand term loan facility. The effective interest rate for the three-months ended September 30, 2008 on the term loan facility was 6.3%. Interest on the term loan facility for the three-month and nine-month periods ended September 30, 2008 was \$7 and \$25, respectively, in comparison to \$13 and \$43, respectively, for the three-month and nine-month periods ended September 30, 2007.

On May 31, 2007, the Company acquired all of the issued and outstanding shares of PCA. The purchase consideration included, amongst other things, \$802 thousand in notes payable. 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 thousand and are being accreted using the effective interest method to the principal amount, which is denominated in US dollars. Interest on the notes payable for the three-month and nine-month periods ended September 30, 2008 was \$14 and \$47, respectively, in comparison to \$18 and \$24, respectively, for the three-month and nine-month periods ended September 30, 2007. During the third quarter ended September 30, 2008, the Company paid a total of \$100, \$50 in each of the following three successive months, and with no additional interest or consideration. The carrying amount of the notes payable as at September 30, 2008, after adjusting for the accretion of interest and the principal payments made to date, was \$503, of which \$255 is shown as the current portion on the interim consolidated balance sheets.

Business Restructuring

During the latter half of 2007, 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.

Of the restructuring expenses recorded in the year 2007 and in the nine-month period ended September 30, 2008, \$320 remains at September 30, 2008 as an obligation consisting of [i] an estimated \$203 relating to facility leases that will be paid out over the remaining lease period which extends to 2011, and [ii] \$117 relating to severance costs. The long-term portion of the restructuring obligation is approximately \$133 and is recorded in other long-term liabilities, and the current portion is recorded in accounts payable and accrued liabilities.

Depreciation and amortization

Depreciation and amortization for the third quarter of 2008 was \$304 and this has been allocated between cost of goods sold and other expenses compared to \$263 for the same period in 2007. The depreciation on manufacturing assets that have been employed to generate the sales reported during the current quarter 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 has been excluded from cost of goods sold.

Depreciation of \$226 for the third quarter of 2008 has been allocated to cost of goods sold compared to \$202 for the same period in 2007. This increase is primarily due to the amount and nature of capital assets acquired during the latter half of 2007 and in the first half of 2008.

For the nine-months ended September 30, 2008, depreciation and amortization was \$901 compared to \$602 for the same period in 2007. For this period in 2008 depreciation of \$653 has been allocated to cost of goods sold compared to \$466 in 2007.

Depreciation and amortization on non-manufacturing Company assets for the third quarter of 2008 was \$78 compared to \$61 for the same period in 2007.

For the nine-months ended September 30, 2008, depreciation and amortization on non-manufacturing assets was \$248 compared to \$136 for the same period in the prior year.

Balance Sheet

Cash at September 30, 2008 was \$53 compared to \$114 at December 31, 2007.

Working capital, defined as current assets less current liabilities, as at September 30, 2008, was \$1,687 compared to working capital deficiency of \$2,266 at December 31, 2007, or turn around of \$3,953. This increase in working capital is primarily explained by the net loss incurred in the first nine months of 2008 and cash used in operating activities, offset by Private Placement and subordinated debenture repayment completed during the second quarter of 2008.

Accounts receivable at September 30, 2008 was \$6,530 compared to the 2007 year-end balance of \$6,311, or an increase of \$219.

Inventory at September 30, 2008 was \$9,710 compared to the 2007 year-end balance of \$3,935. This increase in inventory is attributable to the development of turnkey capability in our San Jose operation and the ramp up of a new OEM of a top selling range of proprietary technology products that are marketed worldwide. Both situations required additional inventory above the December 31, 2007 level. In addition, at the 2007 year end there was a concerted drive to decrease inventory, which resulted in an unusually low inventory level at the year-end. Accounts payable and accrued liabilities at September 30, 2008 were \$9,210 compared to \$5,880 at 2007 year-end, an increase of \$3,330. The increase in accounts payable and accrued liabilities is due primarily to the increases in inventory explained above.

The subordinated debenture was repaid in full on May 22, 2008 with proceeds from the Private Placement.

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 which included a \$750 term loan facility. As at September 30, 2008 the term loan facility liability was \$271 and as at December 31, 2007 the term loan facility balance was \$459 thousand.

As at September 30, 2008, the outstanding balance in notes payable from the PCA acquisition was \$503, of which \$255 is shown as current portion of notes payable leaving the balance in long-term debt.

Other long-term liabilities of \$116 covers the long-term portion of the restructuring obligation for the subsidization of a Calgary sub-lease which will be paid out through to December 31, 2011, and a Markham sub-lease which will be paid out through March 31, 2011. The current portion of other long-term liabilities is \$70 thousand covering subsidization of the Calgary and Markham sub-leases. As at September 30, 2008, the current portion of other long-term liabilities is recorded in accounts payable and accrued liabilities. The comparative balances at December 31, 2007 year-end were \$168 in other long-term liabilities and \$105 being the current portion of other long-term liabilities.

5. LIQUIDITY AND CAPITAL RESOURCES

Total Assets

Total assets at September 30, 2008 were \$21,551 compared to \$15,820 at December 30, 2007. The increase of \$5,731 is primarily attributable to an increase in inventory of \$5,775. The accumulation in inventory supports the ramp-up of manufacturing in the Ottawa and San Jose site of two customers selling a range of proprietary technology products. The Company drew down its operating line and increased accounts payable to fund this increased inventory.

Liquidity

The Company is a net borrower against its revolving credit facility with its senior lender. It therefore minimizes the amount of cash in its account at any time. The Company keeps cash in deposit and checking accounts in California related to the operations in San Jose.

Under the bank credit agreement entered into on September 21, 2006 with its senior lender, the Company has a revolving credit facility of up to a maximum of \$6,000 based on certain terms and conditions contained in a credit agreement that is secured by a general security agreement. The credit agreement, which had been subsequently amended, 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 December 31, 2007, and as at September 30, 2008 the Company did not comply with the financial covenants in the amended agreement. Subsequent to the end of the quarter, the senior lender has agreed to amend the terms of the credit agreement. The senior lender has agreed to waive the non-compliance of the financial covenants for all periods prior to September 30, 2008. In return for the forbearance, the Company's major shareholder, R.H. Global Technologies Ltd., injected \$1,500 into the Company by way of a subordinated loan with maturity on November 30, 2010. As part of the subordinated loan, the Company issued 18,750,000 warrants to R.H. Global Technologies Ltd at \$0.08 per share for a period of three years, subject to TSX approval.

The Company is using this credit facility to finance working capital requirements and for other corporate purposes as required. The availability of credit under this 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, 2008, the Company's operating loan balance of \$5,312 was within its borrowing limit based on accounts receivable and inventory margining conditions in its agreement with this lender.

The Company expects to add certain capital assets to increase the scope of services it can offer to customers and to expand capacity in specific areas that are already incurring high levels of utilization of existing capacity. The Company expects that if sales increase in the future, this will lead to more optimal utilization of its automated surface mount lines, sophisticated test platforms and other equipment across the entire organization.

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.

Commitments

As at September 30, 2008, commitments for principal repayments on contractual obligations including long-term debt, the restructuring accrual and all of the Company's operating lease payments were as follows:

Contractual obligations:

(\$ in thousands)	Total	2008	2009	2010	2011	2012	Beyond
Term loan	271	271	—	—	—	—	—
Notes payable	503	—	255	248	—	—	—
Restructuring accrual	320	84	120	68	48	—	—
Operating and premises leases	3,350	235	890	753	468	456	548
Capital leases	54	4	18	18	14	—	—
Total	4,498	594	1,283	1,087	530	456	548

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, 2008 were 96,707,755 [December 31, 2007 - 36,707,755].

[c] Warrants

	Warrants	Amount
	#	\$
	000's	
Balance, December 31, 2006	8,700	945
Expired unexercised [i]	(1,349)	(152)
Balance, December 31, 2007	7,351	793
Cancelled [ii]	(6,851)	(744)
Balance, September 30, 2008	500	49

[i] During 2007, 1,349,000 warrants related to a previous year's subordinated notes financing expired unexercised.

[ii] As part of the Private Placement, the Company issued 6,851,000 common share purchase warrants, each of which entitled 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. On May 22, 2008 the 6,851,000 common share

purchase warrants were returned to the Company and cancelled upon settlement of the Company's subordinated debenture with proceeds from the Private Placement. A total of \$744 was recorded as a reduction to warrants and a corresponding gain of \$447 was recorded in contributed surplus related to the early cancellation of the warrants.

[iii] As part of a Private Placement resulting in the issuance of 1,000,000 common shares for proceeds of \$200, completed in November 2006, the Company also 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 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.

[iv] As part of the subordinated loan from RGT on November 12, 2008, 18,750,000 of warrants will be issued to RGT at a price of \$0.08 per share for a period of three years, subject to TSX approval.

[d] Stock options

The Company has established a stock option plan for its directors, officers, employees and consultants, whereby options to a maximum of 4,800,000 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. On July 24, 2008, the Company's shareholders approved an amendment to the Company's Amended and Restated Stock Option Plan to increase the maximum number of common shares reserved for issuance upon the exercise of options from 4,800,000 to 12,600,000 common shares.

Changes in the number of options, with their weighted average exercise prices for the nine-month periods ended September 30, 2008 and year ended December 31, 2007, are summarized below:

	2008		2007	
	Number Of Options [000's]	Weighted average exercise price \$	Number of options [000's]	Weighted average exercise price \$
Outstanding, beginning of period	2,851	0.27	3,240	0.34
Granted	250	0.10	890	0.18
Forfeited/expired	(1,420)	0.26	(1,279)	0.40
Outstanding, end of period	1,681	0.25	2,851	0.27
Options exercisable, end of period	1,681	0.25	2,071	0.29

During the three-month and nine-month periods ended September 30, 2008, the Company recorded nil [2007 - \$37] and \$36 [2007 - \$89] of stock-based compensation expense. These amounts are included in selling, general and administrative expenses and contributed surplus.

On April 8, 2008, the Company granted 250,000 stock options at an exercise price of \$0.10. The estimated fair value at the date of grant was calculated to be \$0.04 per option using the Black- Scholes

option pricing model and the following assumptions: risk-free rate of 3.1%, volatility factor of 75%, and weighted average expected life of the options of three years.

Pursuant to the terms of the Company's Amended and Restated Stock Option Plan, the private placement equity financing and the related issuance of the common shares during the second quarter of 2008 was considered a Change of Control as defined therein, and all unvested stock options outstanding as at May 22, 2008 vested immediately and became exercisable.

Subsequent to the third quarter, the Company granted 7,775,000 stock options at an exercise price of \$0.10.

Sources and Uses of Cash

	Three month period ended September 30,		Nine month period ended September 30,	
	2008	2007	2008	2007
Cash provided by (used in) operating activities	\$ (552)	\$ 1,306	\$ (2,283)	\$ 553
Cash provided by (used in) financing activities	732	(802)	2,819	1,511
Cash used in investing activities	(137)	(429)	(597)	(2,117)

Operating Activities

Cash flow used in operations increased by \$1,858 and \$2,836 for the three month and nine-month period ended September 30, 2008, respectively. The net increase in the three-month period ending September 30, 2008 is primarily due to increase in inventory levels. The net increase in cash flow used in operations for the nine-month period ending September 30, 2008 compared to the same period last year is mainly due to higher losses and higher working capital requirements from inventory build up.

Financing Activities

During the three-month and nine-month periods ended September 30, 2008, the Company's financing activities provided \$732 and \$2,819, respectively. The Company increased the utilization of the bank operating loan by \$2,700 to fund working capital requirements, most of which was inventory. As at September 30, 2008, the bank operating loan balance is \$5,312 compared to the December 31, 2007 balance of \$2,612.

As part of the amendment to the terms of the notes payable in the acquisition of PCA, the Company paid \$150 in the third quarter of 2008. The notes payable balance is \$503 at September 30, 2008 compared to the December 31, 2007 balance of \$696.

Investing Activities

For the three-month and nine-month periods ended September 30, 2008, the Company's investing activities utilized \$137 and \$597, respectively. The Company continue to make prudent investments in equipment and other assets to support increased sales activity.

The Company expects an increase in capital expenditures for the remainder of 2008 over the levels incurred in 2007 in order to have the manufacturing asset capacity required to meet anticipated customer orders.

6. CONTINGENCIES

In December 2006, the Company received an order from the Pay Equity Commission of Ontario (the "Commission") requiring it to develop and implement a pay equity plan for its operations in Ontario. In addition, the order required 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 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 Commission 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 has filed its developed and implemented pay equity plan for its operations in Ontario, and fully paid the total amount of retroactive pay equity adjustments of \$22.

7. RISK FACTORS

The Company is subject to a number of risks and uncertainties, including without limitation, those set out in its Annual Information Form dated March 31, 2008 under the heading "Risk Factors", which risks and uncertainties are incorporated by reference herein.

8. RELATED PARTY TRANSACTIONS

In 2006, the Company entered into a consulting agreement with a principal who was also a newly appointed director of the Company. During the first quarter ended March 31, 2008, this director resigned and was no longer considered a related party for accounting purposes. During the three-month and nine-month periods ended September 30, 2008, the Company paid nil and \$56, respectively [2007 - \$15 and \$50, respectively] in fees in respect to this consulting agreement, while the former director was a related party.

Subsequent to the third quarter of 2008, the Company's majority shareholder, RGT, injected \$1,500 into the Company by way of a subordinated loan with maturity on November 30, 2010. The Company will also issue 18,750,000 warrants to RGT at \$0.08 per share for a period of three years, subject to TSX approval.

9. 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 period. 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 as disclosed in Note 3 and Note 4 to the December 31, 2007 audited annual Financial Statements and Note 4 to the June 30, 2008 unaudited interim Financial Statements which are

incorporated by reference herein. These policies are affected by the assumptions, judgements and estimates used by management in the preparation of these statements.

10. RECENT ACCOUNTING DEVELOPMENTS

In February 2008, the CICA issued Handbook Section 3064, "Goodwill and Intangible Assets" effective for the Company for interim and annual periods beginning on or after January 1, 2009. Section 3064 which replaces Section 3062, Goodwill and Intangible Assets, and Section 3450, Research and Development Costs, establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets, and clarifying that costs can be deferred only when they relate to an item that meets the definition of an asset, and as a result, start-up costs must be expensed as incurred. The Company is currently assessing the impact of these standards on its consolidated financial statements.

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, the AcSB confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. As the Company will be required to report its results in accordance with IFRS starting in 2011, the Company is assessing the potential impacts of this changeover and developing its plan accordingly.

The Company has commenced the preliminary diagnostic phase, which involves a high level review of the major measurement differences between current Canadian GAAP and IFRS. The Company will address the design and planning, solution development and implementation of the project at a later date.

11. DISCLOSURE PROCEDURES AND CONTROLS

The Company has designed disclosure controls and procedures to ensure that information required to be disclosed by the Company is accumulated and communicated to its management as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer as at September 30, 2008 have concluded, based on their evaluation as of September 30, 2008 that the Company's disclosure controls and procedures are effective to provide reasonable assurance that material information related to the Company was made known to them by employees or third party consultants working for the Company. It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer as at September 30, 2008 believed that the Company's disclosure controls and procedures will provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute assurance that the objectives of the control system are met.

12. INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

As a result of the Company's assessment of the design of its internal controls over financial reporting, discussed below, the Company's management has concluded that there is only a remote likelihood that a material misstatement would not be prevented or detected. Management and the board of directors work to mitigate the risk of a material misstatement in financial reporting; however, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement.

On October 14, 2008, the Company appointed a new Chief Financial Officer who is a Chartered Accountant and has extensive Canadian public company reporting and corporate finance experience.

The Company has identified control deficiencies within its accounting and financial function and its financial information systems over segregation of duties. Specifically, certain duties are not properly segregated due to the small number of individuals employed in this area. However, management has concluded that considering the employees involved and the control procedures in place, including management and Audit Committee oversight, risks associated with such lack of segregation are not significant enough to justify the expense associated with adding a number of employees to clearly segregate duties. Management is aware that in-house expertise to deal with complex taxation, accounting and reporting issues may not be sufficient. The Company utilizes, and will continue to utilize, outside assistance and advice on new accounting pronouncements and complex accounting and reporting issues, which is common with companies of a similar size. Management is of the opinion that none of these control deficiencies has resulted in a misstatement to the financial statements. However, these deficiencies may be considered a material weakness resulting in a more than remote likelihood that a material misstatement of the Company's annual or interim financial statements would not be prevented or detected. As the Company grows, management plans to further expand the number of individuals involved in the accounting function. At the present time, the Chief Executive Officer, Chief Financial Officer, and the Corporate Controller oversee all material transactions and related accounting records. In addition, the Audit Committee reviews the financial statements and key risks of the Company and queries management about significant transactions on a quarterly basis.



ADEPTRON TECHNOLOGIES CORPORATION
Interim Consolidated Financial Statements
For the three and nine month periods ended September 30, 2008
[unaudited]

ADEPTRON TECHNOLOGIES CORPORATION
INTERIM CONSOLIDATED BALANCE SHEETS

As at September 30, 2008 and December 31, 2007

[in thousands of dollars]

[unaudited]

	As at September 30, 2008	As at December 31, 2007
	\$	\$
<hr/>		
ASSETS <i>[notes 8 and 10]</i>		
Current		
Cash	53	114
Accounts receivable <i>[note 14]</i>	6,530	6,311
Inventories	9,710	3,935
Prepaid expenses and deposits	455	561
Total current assets	16,748	10,921
Property, plant and equipment	3,107	3,207
Other assets <i>[note 8]</i>	484	562
Goodwill <i>[notes 6 and 7]</i>	1,212	1,130
	21,551	15,820
<hr/>		
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank operating loan <i>[note 8[a]]</i>	5,312	2,612
Accounts payable and accrued liabilities <i>[note 14]</i>	9,210	5,880
Current portion of capital lease	13	—
Current portion of notes payable <i>[note 6]</i>	255	247
Current portion of term loan facility <i>[note 8[b]]</i>	271	459
Subordinated debenture <i>[note 10]</i>	—	3,989
Total current liabilities	15,061	13,187
Future income taxes	362	338
Long-term portion of capital lease	33	—
Other long-term liabilities	116	168
Notes payable <i>[note 6]</i>	248	449
Total liabilities	15,820	14,142
Commitments and contingency <i>[note 16]</i>		
Shareholders' equity		
Share capital <i>[notes 5 and 11]</i>	41,142	35,532
Contributed surplus <i>[notes 5, 11[c] and [d]]</i>	1,677	1,194
Warrants <i>[notes 10 and 11[c]]</i>	49	793
Accumulated other comprehensive income (loss)	19	(136)
Deficit	(37,156)	(35,705)
Total shareholders' equity	5,731	1,678
	21,551	15,820

See accompanying notes to consolidated financial statements. These unaudited interim consolidated financial statements should be read in conjunction with the 2007 annual consolidated financial statements.

ADEPTRON TECHNOLOGIES CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

For the three and nine months ended September 30, 2008 and September 30, 2007

[in thousands of dollars, except per share information]

[unaudited]

	Three-month period ended September 30		Nine-month period ended September 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
Sales [notes 14 and 15]	9,636	8,180	29,646	28,489
Cost of goods sold	8,147	7,323	25,371	24,338
Gross profit	1,489	857	4,275	4,151
Expenses				
Selling, general and administrative [notes 11[d] and 16]	1,209	1,153	3,658	3,617
Interest expense [notes 8, 10, 11 and 14]	153	308	847	841
Loss on settlement of subordinated debenture [note 5 and 10]	—	—	638	—
Change in fair value of embedded foreign currency derivative [note 14]	(55)	7	(173)	70
Restructuring [note 9]	—	450	508	450
Depreciation and amortization	78	61	248	136
	1,385	1,979	5,726	5,114
Income (loss) before taxes	104	(1,122)	(1,451)	(963)
Income tax recovery	—	20	—	34
Net income (loss) for the period	104	(1,102)	(1,451)	(929)
Loss per share				
Basic and diluted	-	(0.03)	(0.02)	(0.03)
Weighted average number of shares outstanding [000's]				
Basic	96,707	36,707	65,612	36,208
Diluted	96,707	36,707	65,612	36,208

See accompanying notes to consolidated financial statements. These unaudited interim consolidated financial statements should be read in conjunction with the 2007 annual consolidated financial statements.

ADEPTRON TECHNOLOGIES CORPORATION

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

For the three and nine months ended September 30, 2008 and September 30, 2007

[in thousands of dollars, except per share information]

[unaudited]

	Three-month period ended September 30		Nine-month period ended September 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
Net income (loss) for the period	104	(1,102)	(1,451)	(929)
Other comprehensive income (loss)				
Change in foreign currency translation gain (loss) on self-sustaining foreign operations	98	(122)	155	(123)
Comprehensive income (loss) for the period	202	(1,224)	(1,296)	(1,052)

See accompanying notes to consolidated financial statements. These unaudited interim consolidated financial statements should be read in conjunction with the 2007 annual consolidated financial statements.

ADEPTRON TECHNOLOGIES CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF
CHANGES IN SHAREHOLDERS' EQUITY

[in thousands of dollars]

[unaudited]

	Common shares # (000s)	Common shares \$	Contributed surplus \$	Warrants \$	Accumulated other comprehensive income (loss) \$	Deficit \$	Total shareholders' equity \$
Balance, December 31, 2006	35,804	35,315	918	945	—	(28,881)	8,297
Issuance of shares on acquisition <i>[note 6]</i>	903	217	—	—	—	—	217
Stock-based compensation <i>[note 11[d]]</i>	—	—	124	—	—	—	124
Expiration of warrants <i>[note 11[c]]</i>	—	—	152	(152)	—	—	—
Foreign currency translation loss on self-sustaining foreign operations <i>[note 6]</i>	—	—	—	—	(136)	—	(136)
Cumulative impact of adopting new accounting requirements	—	—	—	—	—	32	32
Net loss for the year	—	—	—	—	—	(6,856)	(6,856)
Balance, December 31, 2007	36,707	35,532	1,194	793	(136)	(35,705)	1,678
Issuance of shares on private placement equity financing, net <i>[notes 5, 10 and 11[b]]</i>	60,000	5,610	—	—	—	—	5,610
Gain on return and cancellation of warrants in conjunction with the settlement of the subordinated debenture <i>[notes 10 and 11[c]]</i>	—	—	447	(744)	—	—	(297)
Stock-based compensation <i>[note 11[d]]</i>	—	—	36	—	—	—	36
Foreign currency translation gain on self-sustaining foreign operations <i>[note 6]</i>	—	—	—	—	155	—	155
Net loss for the period	—	—	—	—	—	(1,451)	(1,451)
Balance, September 30, 2008	96,707	41,142	1,677	49	19	(37,156)	5,731

See accompanying notes to consolidated financial statements. These unaudited interim consolidated financial statements should be read in conjunction with the 2007 annual consolidated financial statements.

ADEPTRON TECHNOLOGIES CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and nine months ended September 30, 2008 and September 30, 2007

[in thousands of dollars]

[unaudited]

	Three-month period ended September 30		Nine-month period ended September 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net income (loss) for the period	104	(1,102)	(1,451)	(929)
Add (deduct) items not involving cash:				
Depreciation and amortization	304	263	901	602
Non-cash interest expense <i>[note 10]</i>	67	71	219	197
Loss on settlement of subordinated debenture <i>[note 10]</i>	—	—	638	—
Future income tax recovery	—	(20)	—	(34)
Stock-based compensation <i>[note 11[d]]</i>	—	37	36	89
Write-down of property, plant, and equipment	—	29	—	29
	475	(722)	343	(46)
Changes in non-cash working capital balances related to operations:				
Accounts receivable	(642)	1,827	(189)	2,449
Inventories	(3,183)	771	(5,727)	(119)
Prepaid expenses and deposits	(54)	(128)	111	(265)
Accounts payable and accrued liabilities	2,852	(442)	3,179	(1,466)
Cash provided by (used in) operating activities	(552)	1,306	(2,283)	553
FINANCING ACTIVITIES				
Increase (decrease) in bank operating loan	968	(768)	2,700	1,683
Repayment of term loan facility	(62)	(63)	(188)	(187)
Repayment of notes payable <i>[note 6]</i>	(157)	—	(251)	—
Increase (decrease) in other long-term liabilities	(17)	29	(52)	15
Repayment of subordinated debenture <i>[note 10]</i>	—	—	(5,000)	—
Issuance of common shares, net of issuance costs <i>[notes 5, 10 and 11[b]]</i>	—	—	5,610	—
Cash provided by (used in) financing activities	732	(802)	2,819	1,511
INVESTING ACTIVITIES				
Acquisition <i>[note 6]</i>	—	(32)	—	(1,474)
Addition to other assets	—	—	(129)	—
Acquisition of property, plant and equipment	(137)	(397)	(468)	(643)
Cash used in investing activities	(137)	(429)	(597)	(2,117)
Net increase (decrease) in cash during the period	43	75	(61)	(53)
Cash, beginning of period	10	106	114	234
Cash, end of period	53	181	53	181
Supplemental cash flow information				
Interest paid	255	277	843	630
Taxes paid	—	—	59	—

See accompanying notes to consolidated financial statements. These unaudited interim consolidated financial statements should be read in conjunction with the 2007 annual consolidated financial statements.

ADEPTRON TECHNOLOGIES CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
[in thousands of dollars, except as noted]
[unaudited]

September 30, 2008

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. Substantially all of the Company's identifiable assets and sales are in North America.

2. BASIS OF PRESENTATION

The accompanying interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ["GAAP"] for interim financial statements. The disclosures contained in these interim consolidated financial statements do not include all of the requirements of GAAP for annual financial statements. These interim consolidated financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2007.

These interim 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, 2008 and the results of operations and cash flows for the three-month and nine-month periods ended September 30, 2008.

These interim consolidated financial statements are based upon accounting policies consistent with those used and described in note 3 to the December 31, 2007 consolidated financial statements, except for the changes in accounting policies described in note 3 below.

3. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants ["CICA"] Handbook Sections 1400, "General Standards of Financial Statement Presentation"; Section 1506, "Accounting Changes"; Section 1535, "Capital Disclosures"; Section 3031, "Inventories"; Section 3862, "Financial Instruments - Disclosures"; and Section 3863, "Financial Instruments - Presentation".

[a] General Standards of Financial Statement Presentation

Section 1400, "General Standards of Financial Statement Presentation", was amended to include requirements for management to assess and disclose an entity's ability to continue as a going concern. The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The adoption of this new section has not had an impact on the Company's interim consolidated financial statements.

[b] Capital Disclosures

Section 1535, "Capital Disclosures", establishes standards for disclosing information about an entity's capital and how it is managed. The required disclosures of information about the Company's objectives, policies and processes for managing capital have been provided in

ADEPTRON TECHNOLOGIES CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
[in thousands of dollars, except as noted]
[unaudited]

September 30, 2008

note 12 of the interim consolidated financial statements for the three-month and nine-month periods ended September 30, 2008.

[c] Inventories

Section 3031, "Inventories", requires inventory to be measured at the lower of cost and net realizable value, and that when inventories are sold, the carrying amount of those inventories be recognized as an expense in the period in which the related sales are recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories shall be recognized as an expense in the period the write-down or loss occurs. The adoption of this revised standard had no impact on the Company's financial results as presented in the interim consolidated financial statements.

[d] Financial Instruments – Disclosure and Presentation

Effective January 1, 2008, the Company adopted the new recommendations of CICA Handbook Section 3862, "Financial Instruments – Disclosures" and Handbook Section 3863, "Financial Instruments – Presentation". Section 3862 requires entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments on the entity's financial position and its performance and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the interim consolidated balance sheets date, and how the entity manages those risks. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equities, the classification of related interest, dividends, losses and gains, and circumstances in which financial assets and financial liabilities are offset. The required disclosure and presentation of information pursuant to these standards has been provided in the interim consolidated financial statements for the three-month and nine-month periods ended September 30, 2008 and the accompanying notes thereto.

4. RECENT CANADIAN ACCOUNTING STANDARDS

In February 2008, the CICA issued Handbook Section 3064, "Goodwill and Intangible Assets", effective for the Company for interim and annual periods beginning on or after January 1, 2009. Section 3064, which replaces Section 3062, "Goodwill and Intangible Assets", and Section 3450, "Research and Development Costs", establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets, clarifying that costs can be deferred only when they relate to an item that meets the definition of an asset, and as a result, start-up costs must be expensed as incurred. Section 1000, "Financial Statement Concepts", was also amended to provide consistency with this new standard. The Company is currently assessing the impact of these standards on its interim consolidated financial statements.

In March 2006, the Accounting Standards Board of the CICA released its new strategic plan, which will abandon Canadian GAAP and effect a complete convergence to International Financial Reporting Standards. At the end of a transitional period of approximately five years, Canadian GAAP will cease to exist as a separate, distinct basis of financial reporting for public companies. Management will closely monitor changes arising from this convergence.

ADEPTRON TECHNOLOGIES CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
[in thousands of dollars, except as noted]
[unaudited]

September 30, 2008

5. PRIVATE PLACEMENT EQUITY FINANCING

On May 7, 2008, the Company obtained special shareholder approval to issue 60,000,000 common shares at \$0.10 per share for gross proceeds of \$6,000.

On May 22, 2008, the Company completed a private placement equity financing with a leading Electronic Manufacturing Services provider, RH Global Technologies Ltd. in Israel for \$6,000 worth of common shares of the Company issued at \$0.10 per share. The net proceeds amount of \$5,610, after financing costs of \$390, incurred were added to share capital during the second quarter.

The net proceeds from the private placement were used to repay the Company's outstanding \$5,000 subordinated debenture together with outstanding interest and other fees with the remaining balance being added to working capital. In connection with the settlement of the subordinated debenture, the 6,851,000 common share purchase warrants held by the subordinated debenture holder were returned to the Company for no further consideration and have been cancelled.

The Company paid \$5,205 to settle the subordinated debenture, outstanding interest, other fees and cancelled the outstanding warrants. This settlement payment of \$5,205 was allocated to the different components based on their relative fair values at May 22, 2008, resulting in a loss on settlement of the subordinated debenture of \$638 which was recorded in the interim consolidated statements of operations. A corresponding gain was booked on the cancellation of the warrants totaling \$447 which has been recorded in contributed surplus.

6. 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 service 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 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 U.S. 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. The Company incurred \$280 in acquisition costs related to this transaction.

During the second quarter ended June 30, 2008, the Company negotiated an amendment to the terms surrounding the first annual installment payment of \$250 due May 31, 2008, whereby \$100 was paid in June 2008, and \$50 is to be paid in each of the following three successive months, and with no additional interest or consideration. The carrying amount of the notes payable as at September 30, 2008, after adjusting for the accretion of interest and the principal payments made to date, was \$503, of which \$255 is shown as the current portion on the interim consolidated balance sheets.

The acquisition of PCA has been accounted for using the purchase method and accordingly, the results of operations have been included in these interim consolidated financial statements from

ADEPTRON TECHNOLOGIES CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
[in thousands of dollars, except as noted]
[unaudited]

September 30, 2008

the date of acquisition. The consideration paid has been allocated to the net assets acquired at their respective fair values and the excess has been recorded as goodwill.

The allocation of the purchase price was completed during the fourth quarter of 2007 and is as follows:

	\$
Net assets acquired:	
Current assets, excluding cash acquired	468
Property, plant and equipment	1,181
Intangible assets	364
Goodwill	1,224
Future income taxes	(538)
Accounts payable and accrued liabilities	(236)
	2,463
Cash acquired	68
Fair value of net assets acquired	2,531

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

7. GOODWILL

A summary of the changes to goodwill is as follows:

	Nine-month period ended September 30, 2008	Year ended December 31, 2007
	\$	\$
Balance, beginning of period	1,130	5,531
Acquisition of PCA <i>[note 6]</i>	—	1,224
Unrealized translation gain (loss)	82	(94)
Impairment	—	(5,531)
Balance, end of period	1,212	1,130

As at December 31, 2007, management performed its annual goodwill impairment test in accordance with its accounting policies. Management engaged third party valuation specialists to assist in determining the fair value of this reporting unit's intangible assets and long-lived tangible assets. Management determined that the fair value of the Canadian reporting unit was less than the book value of that reporting unit. As a result, management determined that all of the goodwill,

ADEPTRON TECHNOLOGIES CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
[in thousands of dollars, except as noted]
[unaudited]

September 30, 2008

amounting to \$5,531, relating to the Canadian reporting unit should be written off as at December 31, 2007.

8. 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 all of the Company's assets. During the first quarter of 2008, the Company finalized additional terms with its senior lender whereby all of the assets of the Company's wholly-owned subsidiary, Adeptron U.S.A., Inc., and PCA were adjoined as collateral for the aggregate senior lending facility. The Company incurred costs amounting to \$129 related to this, which were added to deferred financing costs in the first and second quarter.

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, 2008, the Company did not comply with the financial covenants and has therefore classified the balance remaining on the term loan facility as a current liability on the interim consolidated balance sheets.

The Company has incurred financing costs of \$373, including the \$120 incurred in the first quarter of 2008, related to the credit agreement and these costs have been recorded on the interim consolidated balance sheets as deferred financing costs in other assets. These deferred financing costs are being amortized over the term of the agreement and will be included in the consolidated statements of operations 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 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 the U.S. base rate plus 0.5% for U.S. dollar loans and is payable monthly.

As at September 30, 2008, the Company's bank operating loan balance of \$5,312 was within its borrowing limit based on the accounts receivable and inventory margining conditions in the 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, 2008 was 5.8% and 6.1%, respectively.

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[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 installments 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, 2008 was 6.3% and 6.6%, respectively.

9. RESTRUCTURING

During the first quarter ended March 31, 2008, the Company completed its plan to change the management organization structure at the Canadian operations, and enhance accountability and decision-making processes. The restructuring activity resulted in the Company expensing severance costs of \$308 related to staff and management reductions, of which approximately \$117 is recorded as an accrued liability as at September 30, 2008, and will be paid out over the next six months.

During the second quarter, the Company incurred an expense of approximately \$200 related to the termination of a consulting arrangement with a former consultant and this amount was fully paid by the end of June 30, 2008 [see note 13].

10. SUBORDINATED DEBENTURE

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 entitled 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 had a principal amount of \$5,000, a term of 66 months and carried interest at 12% per annum, payable monthly. The subordinated debenture was collateralized by a second ranking general security agreement covering substantially all of the Company's assets.

The Company 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. Interest expense on the subordinated debenture, including amortization of financing costs, was charged to income at the effective rate of 20%.

On May 22, 2008, the subordinated debenture with a carrying value of \$4,065 was paid in full with proceeds from the private placement described in note 5.

11. SHARE CAPITAL

[a] Authorized

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

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[b] Common shares issued

The common shares issued and outstanding as at September 30, 2008 were 96,707,755 [December 31, 2007 - 36,707,755].

[c] Warrants

	Warrants #	Amount \$
	000's	
Balance, December 31, 2006	8,700	945
Expired unexercised [i]	(1,349)	(152)
Balance, December 31, 2007	7,351	793
Cancelled [ii]	(6,851)	(744)
Balance, September 30, 2008	500	49

[i] During 2007, 1,349,000 warrants related to a previous year's subordinated notes financing expired unexercised.

[ii] As part of the private placement described in note 5, the Company issued 6,851,000 common share purchase warrants, each of which entitled the holder thereof to purchase one common share of the Company at \$0.20 per 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. On May 22, 2008, the 6,851,000 common share purchase warrants were returned to the Company and cancelled upon settlement of the Company's subordinated debenture [note 10] with proceeds from the private placement described in note 5. A total of \$744 was recorded as a reduction to warrants and a corresponding gain of \$447 was recorded in contributed surplus related to the early cancellation of the warrants.

[iii] As part of a private placement resulting in the issuance of 1,000,000 common shares for proceeds of \$200, completed in November 2006, the Company also 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 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 purchase a maximum of 4,800,000 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. On July 24, 2008, the Company's

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shareholders approved an amendment to the Company's Amended and Restated Stock Option Plan to increase the maximum number of common shares reserved for issuance upon the exercise of options from 4,800,000 to 12,600,000 common shares.

Changes in the number of options, with their weighted average exercise prices for the nine-month period ended September 30, 2008 and year ended December 31, 2007, are summarized below:

	2008		2007	
	Number of options [000's]	Weighted average exercise price \$	Number of options [000's]	Weighted average exercise price \$
Outstanding, beginning of period	2,851	0.27	3,240	0.34
Granted	250	0.10	890	0.18
Forfeited/expired	(1,420)	0.26	(1,279)	0.40
Outstanding, end of period	1,681	0.25	2,851	0.27
Options exercisable, end of period	1,681	0.25	2,071	0.29

During the three-month and nine-month periods ended September 30, 2008, the Company recorded nil [2007 - \$37] and \$36 [2007 - \$89] of stock-based compensation expense, respectively. These amounts are included in selling, general and administrative expenses and contributed surplus.

On April 8, 2008, the Company granted 250,000 stock options at an exercise price of \$0.10. The estimated fair value at the date of grant was calculated to be \$0.04 per option using the Black-Scholes option-pricing model and the following assumptions: risk-free rate of 3.1%, volatility factor of 75%, and weighted average expected life of the options of three years.

Pursuant to the terms of the Company's Amended and Restated Stock Option Plan, the private placement equity financing and the related issuance of the common shares during the second quarter [see note [5]] was considered a Change of Control as defined therein, and all unvested stock options outstanding as at May 22, 2008 vested immediately and became exercisable. Subsequent to the third quarter, the Company granted 7,775,000 stock options at an exercise price of \$0.10.

12. MANAGEMENT OF CAPITAL

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash, bank operating loan and term loan facility, notes payable, and equity comprising of issued share capital, contributed surplus and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall

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capital structure through new share issues, share repurchases, the issue of debt or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2007.

13. RELATED PARTY TRANSACTIONS

In 2006, the Company entered into a consulting agreement with a principal who was also a newly appointed director of the Company. During the first quarter ended March 31, 2008, this director resigned and was no longer considered a related party for accounting purposes. During the three-month and nine-month periods ended September 30, 2008, the Company paid nil and \$56, respectively [2007 - \$15 and \$50, respectively] in fees in respect to this consulting agreement, while the former director was a related party.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

[a] Hedges and derivatives

Hedging derivatives are required to be recorded at fair value in the interim 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 interim 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. The embedded foreign currency derivative has been bifurcated from the host purchase or sales contract and recorded in the interim consolidated balance sheets at fair value. As at September 30, 2008, the Company has recorded a liability of \$46 [December 31, 2007 - asset of \$67] related to purchase contracts and an asset of \$103 [December 31, 2007 - liability of \$183] related to sales contracts. For the three-month and nine-month periods ended September 30, 2008, a gain of \$55 and a gain of \$173, respectively [September 30, 2007 - loss of \$7 and \$70, respectively] were recorded in the interim consolidated statements of operations related to the change in fair value of the embedded foreign currency derivative.

[b] 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 term loan facility and notes payable, approximates its fair value due to 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.

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[c] Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable. The carrying amount of financial assets represents the maximum credit exposure.

The Company has adopted a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment terms and conditions are offered. The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. Substantially all of the Company's customers are located in Canada and the United States and represent various industries. When available, the Company reviews credit bureau ratings, bank accounts and financial information for each new customer. Customers that fail to meet the Company's established credit policy are required to submit an appropriate security deposit.

The Company establishes an allowance for doubtful accounts that represents its estimate of incurred losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and an overall loss component established based on historical trends and other information. As at September 30, 2008 and December 31, 2007, the Company had an allowance for doubtful accounts of \$63 and \$123, respectively.

The following table sets forth details of the age of receivables as at September 30, 2008 that are not overdue as well as an analysis of overdue amounts and related allowance for doubtful accounts:

	2008
	\$
Total accounts receivable	6,593
Less: allowance for doubtful accounts	(63)
Total accounts receivable, net	6,530
Of which:	
Not overdue	4,384
Past due more than one day and not more than three months	2,010
Past due more than three months and not more than six months	27
Past due more than six months and not more than one year	132
Past due more than one year	40
Less: allowance for doubtful accounts	(63)
Total accounts receivable, net	6,530

As at September 30, 2008, the Company's two largest customer accounts receivable balances represented 33% [December 31, 2007 - 35%] of the total accounts receivable balance.

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[d] Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

As at September 30, 2008, the Company had loans and receivables of \$6,530 [includes accounts receivable] and financial liabilities of \$15,819 [including term loan facility]. As at December 31, 2007, the Company had loans and receivables of \$6,311 [includes accounts receivable] and financial liabilities of \$14,142 [including term loan facility]. All of the Company's financial liabilities, excluding notes payable, term loan facility, future income taxes, and other long-term accrued liabilities related to restructuring have contracted maturities of less than one year. The Company manages its liquidity risk by monitoring forecast and actual gross profit and cash flows from operations.

[e] Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its financial instruments.

[f] 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 and notes payable issued in U.S. dollars as part of the acquisition of PCA in 2007. The Company does not use derivative instruments to hedge its foreign currency risk. Of the Company's accounts receivable and accounts payable at September 30, 2008, 67% [2007 - 70%] and 74% [2007 - 61%], respectively, are denominated in foreign currencies. During the nine-month period ended September 30, 2008, approximately 71% [2007 - 71%] of sales and approximately 51% [2007 - 33%] of expenses were incurred in U.S. dollars.

[g] Interest rate risk

The Company is subject to interest rate risk on its revolving credit and term facilities primarily arising from the floating interest rate. The Company believes that interest rate risk is currently low as interest rates on the bank operating loan have been declining as the bank prime rate declines.

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15. 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, 2008 and 2007 are as follows:

	2008	2007
	\$	\$
Canada	18,492	18,733
United States	11,154	9,756
	29,646	28,489

For the nine-month period ended September 30, 2008, sales to the Company's two largest customers during the quarter represented 26% [2007 - 33%] of the Company's total sales. The two customers represented 15% [2007 - 22%] and 11% [2007 - 11%] of total sales, respectively.

All of the Company's long-term assets as at September 30, 2008 and December 31, 2007 are located in Canada and the United States, as detailed below.

Property, plant and equipment and other assets as at September 30, 2008 and 2007 are located as follows:

	2008	2007
	\$	\$
Canada	2,418	2,290
United States	1,173	1,524
	3,591	3,814

Goodwill is located as follows:

	2008	2007
	\$	\$
Canada	—	5,531
United States	1,165	1,069
	1,165	6,600

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16. COMMITMENTS

Interest on obligations under capital lease accrues at 11.5%. The following is a schedule of future minimum annual lease payments for the capital lease:

	\$
2008	4
2009	18
2010	18
2011	14
	54
Less: amount representing interest	8
Present value of net minimum lease payments	46
Less: current portion	(13)
Total obligations under capital leases	33

Future minimum annual operating lease payments for office space and equipment are as follows:

	\$
2008	239
2009	908
2010	771
2011	482
2012	456
Thereafter	548
	3,404

Excluded from the amounts noted above is \$1,164, representing certain lease costs for the years 2008 to 2011. Offsetting these commitments is \$968 of sub-lease income that has been committed to the Company from sub-tenants. These amounts were recorded as part of the 2001 and 2007 restructuring charges and are included in accrued liabilities.

During the second quarter ended June 30, 2008, the Company filed its developed and implemented pay equity plan for its operations in Ontario, Canada as required by the Pay Equity Commission of Ontario. The Company has determined that the total amount of retroactive pay equity adjustments required is \$22, and this amount has been included in selling, general and administrative expense.

17. SUBSEQUENT EVENT

In November 12, 2008, the senior lender has agreed to amend the terms of the credit agreement. The senior lender has agreed to waive the non-compliance of the financial covenants for all periods prior to and including September 30, 2008. In return for the forbearance, the Company's majority shareholder, R.H. Global Technologies Ltd., injected \$1,500 into the Company by way of a subordinated loan with maturity on November 30, 2010. As part of the subordinated loan, the Company will issue 18,750,000 warrants to R.H. Global Technologies Ltd. at \$0.08 per share for a period of three years, subject to TSX approval.