ADEPTRON TECHNOLOGIES CORPORATION

QUARTERLY SHAREHOLDER REPORT

Results for the Three-month and Six-month Periods Ended June 30, 2005 and 2004

TSX – 'ATQ'

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month and six-month periods ended June 30, 2005 and 2004:

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 Financial Statements for the three-month and six-month periods ended June 30, 2005 and 2004 as well as the Company's Financial Statements and accompanying Management's Discussion and Analysis for the year-ended December 31, 2004. 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; risks presented by narrow margins; risks related to the availability of future 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 30, 2005 and other documents filed by the Company with Canadian securities regulators from time to time.

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 is dated as of August 11, 2005.

Overall Performance

In the quarter ended March 31, 2004, Adeptron engaged in two significant and related transactions described in the section "Significant Transactions". The first transaction was a financing for gross proceeds of $3.25 million from the issuance of equity and debt. The second transaction was to acquire certain operating assets of Prestec Electronics Ltd. in Ottawa, Ontario. These assets are utilized by Adeptron in Ottawa and will be referred to as the "Ottawa operations" throughout this Quarterly Shareholder Report. The three month and six month periods ended June 30, 2005 contain the results of the Ottawa operations for the entire period whereas the three month and six month periods ended June 30, 2004 reflect

the Ottawa operations for a period of approximately two months and five months, respectively.

The Company's revenue for the second quarter of 2005 decreased by 2% to $9.40 million from $9.61 million in the three month period ended June 30, 2004. In comparison to the first quarter of 2005, the current quarter's revenue increased by approximately $0.93 million, or 11%, from $8.46 million. Gross margin and gross margin percentage for the second quarter of 2005 improved to $1.30 million and 13.8%, respectively, compared to $0.97 million and 10% in the similar quarter of the prior year.

As a result of the marked improvement in gross margin and lower operating expenses, the loss for the second quarter of 2005 was $0.09 million compared to $0.63 million in the corresponding period of 2004. In addition, the Company's current quarter loss of $0.09 million was also significantly lower than the first quarter 2005 loss of $0.46 million. The Company's results continue to be positively impacted by the expense reductions implemented in the fourth quarter of the prior year, as well as additional cost reductions in the first quarter of 2005, which have resulted in cost structure improvements. Furthermore, the Company continues to explore other strategies that will enhance its competitive position within today's extremely dynamic business environment.

Results of Operations

Revenue

Revenue for the second quarter 2005 was $9.40 million compared to $9.61 million in the corresponding quarter of 2004, representing a decrease of $0.21 million, or 2%. The decrease in revenue in comparison to the same quarter in 2004 is entirely attributable to a decline in the US dollar ("US$") relative to the Canadian dollar ("CDN$"). During the three month period ended June 30, 2005, approximately two thirds of the Company's revenue was derived from USA-based and domestic-based customers with sales denominated in US$. Consequently, the strengthening of the CDN$ relative to the US$ has had an adverse effect on the Company's revenues when compared to the second quarter of the prior year. The Company estimates that the changes in the foreign currency environment, as described previously, that occurred between the current quarter and the corresponding quarter of 2004, resulted in lower revenues of approximately $0.50 million in the current quarter. Therefore, if the effect of changes in currencies is removed, the current quarter's revenue would have increased in comparison to the same quarter of the prior year. In comparison to the first quarter of 2005, the impact of foreign currency exchange rates on revenues was minimal as the foreign currency environment remained relatively stable.

For the six months ended June 30, 2005, revenue increased to $17.86 million compared to $15.56 million in the corresponding period of the prior year. The $2.30 million or 14.8% increase is comprised of $1.18 million from the Ottawa operations and $1.12 million from the Markham operations. The increase in the Ottawa operations revenue is primarily due to the fact that the prior year total represented approximately five months of operations compared to six months in 2005. The majority of the growth in Markham operations came from the customer base existing at the end of 2004.

Cost of Goods Sold and Gross Margin

Cost of goods sold for the second quarter of 2005 was $8.10 million compared to $8.65 million for the corresponding quarter of 2004, a decrease of $0.55 million, or 6.3%. The decrease in cost of goods sold in the three month period ended June 30, 2005, in

comparison to the corresponding quarter of the prior year, can be attributed to a number of factors. Firstly, direct material costs included in cost of goods sold decreased by over $0.30 million due to improved material pricing generated as a result of the Company's supply chain strategy initiatives. In addition, the strengthening of the CAD$ has had a positive effect on the Company's material inputs as over one half of the Company's material purchases are denominated in US$ and therefore, has resulted in lower material costs. Also, depreciation charged to cost of goods sold in the current quarter decreased by $0.28 million to $0.09 million from $0.37 million in the same period of the prior year. Finally, total direct and indirect manufacturing labour costs were also lower in the current quarter in comparison to the corresponding quarter in the prior year.

Cost of goods sold for the six months ended June 30, 2005, were $15.63 million compared to $14.49 million in the corresponding period of 2004. This represents an increase of $1.14 million or 7.9%. The increase in cost of goods sold of 7.9% was proportionately less than the increase in total revenues of 14.8%.

As a result of the decreases in cost of goods sold, gross margin increased to $1.30 million, or 13.8%, in the current quarter from $0.97 million, or 10%, in the comparative quarter of the prior year. For the six month period ended June 30, 2005, gross margin and gross margin percentage were $2.23 million and 12.5%, respectively, versus $1.07 million, or 6.9%, in the same period of the prior year. The increase in gross margin and gross margin percentage on a year to date basis in 2005 was also aided by higher revenues when compared to the first six months of 2004.

Depreciation and amortization in the second quarter 2005 was $0.13 million, compared to $0.44 million in the corresponding period in 2004. The depreciation on manufacturing assets employed to generate the revenue reported for a period is allocated to cost of goods sold, as noted above, and the depreciation on non-manufacturing assets employed in Selling, General and Administrative areas of the business is shown separately below the gross margin line.

Depreciation of $0.09 million has been allocated to cost of goods sold in the second quarter 2005, compared to $0.37 million in 2004. The remainder of the depreciation has been charged to expenses below the gross margin line. The decrease in total depreciation is due to the fact that effective July 1, 2004, the Company undertook an evaluation of the remaining useful lives of the plant and equipment. After considering a number of factors, the estimated remaining useful life of certain plant and equipment was extended from one year to five years. The change in estimate was applied on a prospective basis.

Capital expenditures in the three month period ended June 30, 2005, were $0.11 million compared to $0.03 million in the comparative period of the prior year. On a quarterly basis, this level of capital spending was higher than the typical level of capital expenditures the Company has incurred over the last three years. Adeptron's management remains confident that the Company will not have to incur any significant additional capital expenditures on equipment in the remainder of 2005, unless the business case for a new customer project specifically justifies such a purchase. As a result, management expects the charge for depreciation for the remainder of 2005 to be consistent with the amount charged in the current quarter.

Depreciation expense for the six month period ended June 30, 2005 was $0.26 million of which $0.18 million was charged to Cost of goods sold. During the same six-month period in 2004, depreciation expense was $0.88 million with $0.74 million charged to cost of goods sold.

Selling, General and Administrative Costs

Selling, General and Administrative ("SG&A") costs for the second quarter of 2005 were $1.13 million, compared to $1.36 million for the same quarter of 2004, a decrease of $0.23 million, or 17.1%. Adeptron's Ottawa operations accounted for $0.07 million of this decrease, while the Markham operations decreased by $0.16 million. The decrease in SG&A costs is the direct result of the expense reductions implemented in prior quarters. In particular, payroll and benefit costs in the current quarter decreased by $0.12 million when compared to the second quarter of 2004. Also, the Company experienced decreases in recruiting costs, accounting fees and travel and living expenses. Overall, SG&A costs in the second quarter decreased significantly when compared to the same period of 2004, and the rate of decease was greater than the minimal decline in revenues during the same period.

In comparison to the first quarter of 2005, the current quarter's SG&A expenses decreased by $0.01 million. The overall decrease was reduced because the changing foreign currency environment in the second quarter resulted in an increase in foreign exchange losses of $0.02 million and investor relations and corporate reporting expenses increased by $0.01 million, as they are typically higher in the second quarter due to legislated regulatory reporting schedules. Also, as a result of the higher revenue levels in the second quarter in comparison to the first quarter, sales commissions increased by $0.03 million. The current level of SG&A spending is consistent with management's strategy of continuing to grow top line revenue, both organically and through acquisition, while minimizing SG&A cost increases.

For the six month period ended June 30, 2005, SG&A expenses were $2.27 million, which represents a decrease of $0.41 million, or 15.3%, from $2.68 million in the corresponding period of the prior year. It is important to note that even though SG&A costs on a year to date basis have decreased, revenue and gross margins have increased during this same period. The Company has taken great care to ensure that any expense reductions implemented in prior quarters will not hamper its ability to continue to increase revenue and gross margins in future periods.

Management believes that it has taken and will continue to take reasonable measures to progressively minimize this category of expenses. However, management must also take care to mitigate the potential negative implications to the business in both the short and long term that might otherwise result from excessive or imprudent cost reductions.

Interest on Subordinated Notes

Interest on subordinated notes in the second quarter 2005 remained unchanged at approximately $0.12 million in comparison to the same quarter in 2004. The interest relates to the subordinated note financing the Company completed in February 2004. Interest on the subordinated notes accrues at the effective rate of 16% per annum over the 18-month term and is charged to earnings as incurred. The interest also includes the amortization of deferred financing fees, which will be fully amortized in the third quarter of 2005.

For the six months ended June 30, 2005, interest on subordinated notes was approximately $0.24 million, compared to $0.20 million in the same six month period of the prior year. The increase of approximately $0.04 million is due to the fact that the subordinated notes were outstanding for the entire six months in 2005 whereas they were outstanding for only five months in 2004.

Other Interest

Other interest is primarily the interest and associated loan fees paid on the bank-operating loan. Interest for the second quarter of 2005 was approximately $0.10 million compared to approximately $0.07 million for the same quarter 2004. The principal reason for this increase is the higher bank borrowing levels that the Corporation experienced in the second quarter of 2005, as compared to the same quarter in 2004.

For the six months ended June 30, 2005, other interest was approximately $0.19 million, compared to approximately $0.14 million for the six months ended June 30, 2004. As noted above, higher borrowing levels was the reason for the increase in other interest expense.

Depreciation

Depreciation and amortization on non-manufacturing Company assets for the second quarter of 2005 was approximately $0.04 million, compared to $0.07 million in the comparative period of the prior year. Depreciation of manufacturing assets is included in cost of goods sold (see “Results of Operations – Cost of Goods Sold and Gross Margin”).

On a quarterly basis, management expects the charge for depreciation and amortization for the remainder of 2005 to be similar to that charged in the second quarter of 2005.

Depreciation expense on non-manufacturing Company assets for the six month period ended June 30, 2005, totalled approximately $0.08 million compared to $0.13 million in the same six month period of the prior year. The decline in non-manufacturing depreciation and amortization expense is due to the change in estimate relating to the remaining useful lives of certain plant and equipment that the Company applied effective July 1, 2004 on a prospective basis.

Restructuring

In the second quarter of 2005, there was no additional expense or recovery related to the restructuring accrual. During the second quarter 2004, the Company reduced its restructuring accrual by approximately $0.01 million, which had the impact of increasing income in the period by an equivalent amount.

For the six month period ended June 30, 2005, there was no adjustment to the restructuring accrual and as a result, no impact to income or expense. For the same period in the prior year, the Company reduced its restructuring accrual by approximately $0.20 million, which had the impact of decreasing the loss in the period by an equivalent amount. This resulted from an extension to the term of a sublease agreement, negotiated during the first quarter of 2004 by Adeptron for a leased building it left vacant at the time of consolidating its operations into Markham.

Other income

In the first and second quarters of 2005, there was no other income recorded. In 2004, the Company recorded $0.09 million and $0.03 million of other income in the first and second quarters respectively. This other income was generated as the result of a receivables collection agreement entered into by the Company with a secured creditor of the former owner of the Ottawa assets.

Balance Sheet

The cash balance at June 30, 2005 was virtually nil which is unchanged from the December 31, 2004 year-end balance. The Company applies all of its cash receipts to the bank operating loan balance to reduce that liability and to minimize interest expense.

Restricted cash at June 30, 2005 was approximately $0.32 million and differed only slightly from the December 31, 2004 year-end balance due to interest earned during the first six months of 2005. This is cash that is held by the Company's current senior lender as security for the Company's obligations and may be released to the Company upon the attainment of certain financial goals.

Working capital at June 30, 2005 was a deficit of $2.39 million compared to a deficit of $2.34 million at March 31, 2005, and $2.0 million at 2004 year-end. The deficit position in working capital originally arose as a result of the inclusion in current liabilities of the subordinated notes in the amount of $2.25 million plus accrued interest. The principal amount of the subordinated notes plus accrued interest was originally due in August of 2005. Subsequent to June 30, 2005, and prior to the subordinated notes' maturity, the Company obtained approval by the necessary majority of subordinated note holders to extend the maturity date of the subordinated notes to September 30, 2005, unconditionally. In addition, a further extension of the maturity date to March 31, 2006 was also approved, subject to completing a closing for financing organized for the Company by Madison Grant Fund Inc. The proposed transaction with Madison Grant, intended to raise up to $4.0 million, as previously reported, remains subject to finalizing final terms and conditions and necessary exchange and regulatory approvals. The Company intends to use the proceeds of the proposed financing to redeem or refinance outstanding notes payable and for working capital purposes.

Management continues to believe it will be successful in securing alternative financing, however, management cannot provide any assurance that they will be successful in this regard. As a result, the Company's ability to continue as a going concern is uncertain and is dependent upon its ability to generate sufficient future cash flow and obtain sufficient financing to meet its short term obligations.

Accounts receivable at June 30, 2005 were approximately $6.25 million compared to approximately $5.59 million at December 31, 2004 year-end, an increase of $0.66 million. This was primarily due to higher sales levels in the second quarter of 2005 when compared to the level of revenues in the fourth quarter of 2004.

Inventory at June 30, 2005 was approximately $4.08 million compared to approximately $3.43 million at December 31, 2004, an increase of $0.65 million. This increase is expected to support a higher level of quarterly revenues for the remainder of 2005 than experienced in the first quarter of 2005 and the fourth quarter of 2004.

Accounts payable and accrued liabilities at June 30, 2005 were approximately $6.42 million, compared to approximately $5.24 million at December 31, 2003, an increase of $1.18 million. The higher June 30, 2005 accounts payable and accrued liabilities balance in comparison to the December 31, 2004 year-end balance is due to increased purchases required to support expected higher revenues in the remainder of 2005, in comparison to the first six months of 2005. Overall, the increased accounts payable and accrued liabilities balance at June 30, 2005 is consistent with the increases in accounts receivable and inventory.

The current portion of the restructuring accrual at June 30, 2005 was approximately $0.10 million compared to $0.15 million at December 31, 2004. The long-term portion of the restructuring accrual at June 30, 2005 was approximately $0.25 million compared to

approximately $0.29 million at December 31, 2004. The decreases are due to severance and lease payments, net of sublease income, made in the first six months of 2005.

The restructuring accrual originally recorded in 2001 included amounts for employee severance costs related to the staff reductions as a result of the Calgary shutdown, moving costs for equipment and other items, and the estimated costs of subsidization of leases, net of sub-lease income, for two buildings in Calgary for which the Company was liable due to its long-term leases with the respective landlords. The June 30, 2005 restructuring accrual (current and long-term) relates to the subsidization of the Calgary leases and will be paid out over the remaining lease periods, which extend through to December 31, 2011. The portion related to a workforce reduction was fully paid during the three month period ended June 30, 2005.

Summary of Quarterly Results

[in thousands of dollars, except per share information]

	Sales			Net Loss			Basic & Diluted Loss Per Share		
Quarter	2005	2004	2003	2005	2004	2003	2005	2004	2003
First	$8,467	$5,949		($463)	($1,126)		($0.01)	($0.03)	
Second	$9,396	$9,612		($90)	($629)		($0.00)	($0.02)	
Third		$9,447	$3,667		($438)	($466)		($0.01)	($0.02)
Fourth		$8.457	$4,439		($987)	($593)		($0.03)	($0.02)

The most significant effects on the Company's first and second quarter 2005 results reflected in the Summary of Quarterly Results Table above are due to the financing and the acquisition of the Ottawa operations completed in the first quarter of 2004 and which are explained in the section "Significant Transactions". In addition, the Company implemented certain cost reductions in the fourth quarter of 2004 and the first quarter of 2005 and the financial effects of these reductions are evident in the reduced net loss for both the three month and six month periods ended June 30, 2005. The Company continues to focus its efforts on revenue growth in its pursuit of profitability, as the opportunities for further operational cost containment of a significant nature would be difficult without resorting to a fundamental restructuring of the business. Given the current prospects for future business in the near and medium term, management does not believe that such a restructuring is in the best interest of the Company. However, the Company continues to monitor expense levels both in cost of goods sold and SG&A and has made and will continue to make adjustments that result in more efficient operations.

Liquidity

The Company's operating activities in the second quarter 2005 utilized $0.06 million compared to utilizing $0.75 million in the corresponding quarter of 2004. The Company used $0.11 million to support increased accounts receivable and $0.20 million to reduce accounts payable and accrued liabilities. A reduction in inventory from March 31, 2005 levels generated approximately $0.16 million. In the corresponding period of the prior year, net cash utilized from operating activities was funded primarily by increases in the bank operating line of $0.85 million.

For the six month period ended June 30, 2005, cash utilized in operating activities was approximately $0.21 million compared to cash utilization of $1.75 million in the same period of the prior year. Accounts receivable rose due to increased sales levels in the second quarter of 2005 in comparison to the fourth quarter of 2004. Inventories also increased to

ensure timely supply for the growing backlog of orders scheduled in the third quarter versus the backlog entering into the first quarter of 2005. The majority of inventory continues to be purchased from vendors offering attractive credit and payment terms and thus accounts payable provided $1.18 million to support the Company's activities. In the first six months of 2004, cash required to support increases in working capital balances was funded by financing activities.

During the second quarter of 2005, the Company's financing activities provided $0.17 million in cash in comparison to $0.79 million in the same period of the prior year. The current and comparative period amounts were primarily due to the increase in the Company's bank operating loan balance. At June 30, 2005, the Company's bank operating loan balance of $4.29 million was within its borrowing limit based on accounts receivable margining conditions in its agreement with its senior lender.

For the six month period ended June 30, 2005, the Company's financing activities provided $0.35 million in cash, which was derived from increases in the Company's bank operating loan balance. The 2004 comparative totals also include increases in the bank operating loan balance of $1.0 million as well as the proceeds generated from the issuance of debt and equity, as described in the section "Significant Transactions", in the amounts of $1.94 million and $1.02 million respectively, net of issuance costs. These proceeds were used to fund working capital and the acquisition of the Ottawa operations.

Cash used in investing activities of $0.11 million in the second quarter of 2005 was due to the purchase of capital assets. As discussed previously, this level of capital spending was higher than the typical level of capital expenditures the Company has incurred over the last three years, on a quarterly basis, not including business acquisitions. In the second quarter of 2004, the Company utilized $0.06 million for investing activities.

For the six month period ended June 30, 2005, cash used in investing activities was $0.13 and was also entirely due to the purchase of capital assets. In the first six months of 2004, the Company utilized $2.51 million for investing activities. Of this total, $2.31 million was used to acquire various assets as part of the acquisition of the Ottawa operations. The proceeds generated from the financing activities discussed above were used to fund the acquisition.

The subordinated notes issued in early 2004, as described in the section "Significant Transactions", are classified as current liabilities on the balance sheet. The principal amount of $2.25 million and accrued interest at 12% were originally due in August of 2005. As discussed previously, the Company has obtained an extension to the maturity date to September 30, 2005 and is actively pursuing securing alternative financing to fund the repayment or refinancing of the subordinated notes.

At June 30, 2005, the Company's operating lease commitments are consistent with the commitments disclosed in the Company's 2004 annual MD&A and annual Financial Statements. The Company expects the cash outlays required by these commitments to be funded by cash generated from operations in future periods, in combination with additional debt or equity financing.

Capital Resources

Under an agreement entered into in 2002, the Company had an operating line of credit up to a maximum of $3.0 million based on certain terms and conditions that is secured by a general security agreement. The Company used its line of credit to finance working capital. In April 2004, the Company reached an agreement with its lender to increase the maximum

available line of credit to $4.0 million, subject to substantially the same terms and conditions as its existing credit facility, including the interest rate. In September 2004, the Company revised the agreement once again to increase the maximum available line of credit to $4.5 million. The availability of credit under this agreement is tied directly to the amount of certain accounts receivable at the end of each reporting period.

At June 30, 2005 the Company continues to estimate that it could increase its 2004 level of sales of $33.5 million to approximately $200 million per annum, based on turnkey sales, without requiring significant investment in capital assets. The Company currently operates, with some exceptions, on a single shift basis. The Company expects that as revenue increases in the future it will lead to more optimal utilization of its five high-speed automated surface mount lines, sophisticated test platforms and other equipment. The only foreseeable major reason to incur any significant capital expenditures in the normal course of business over the next two fiscal years is the execution of a supply contract with a customer having sufficient sales volume and margin to cost justify the expenditure for types of equipment not already owned.

During the first quarter of 2004, the Company acquired the Ottawa operations. Although the assets purchased in this transaction include additional automated surface mount equipment and thereby increase the Company's capacity even further, the primary purpose of the transaction was to add a complementary suite of services to those already offered by the Company.

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. The Company presently has no commitments for additional capital expenditures or other business acquisitions.

The Company has incurred significant cumulative net losses since inception and has negative working capital and an accumulated deficit as at June 30, 2005. As a result, the Company's ability to continue as a going concern is uncertain and is dependent upon its ability to generate sufficient future cash flow and/or obtain sufficient financing to fund its business to the point that it achieves profitable operations.

The Company is continuing its efforts to increase revenues and has implemented a strategy to reduce its net cash outflows with the objective of achieving sustainable positive net cash flow. The Company believes it will be successful in implementing this strategy and/or otherwise securing alternative financing and as a result the Company believes it will be able to meet its short-term cash flow requirements. However, the outcome of this strategy cannot be predicted at this time.

The associated unaudited financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the associated financial statements.

Significant Transactions

Adeptron concluded two related significant transactions during 2004.

On February 4, 2004, Adeptron acquired certain Ottawa-based operating assets ("Ottawa operations") of Prestec Electronics Ltd. ("Prestec"), including all of Prestec's inventory, manufacturing equipment, intangibles and the open balance of Prestec's customer purchase orders. Adeptron acquired these assets from an agent, appointed by the senior secured creditor of Prestec to enforce the creditor's security over Prestec assets, for a cash purchase price of $1.7 million. Concurrently with the acquisition, Adeptron also hired Prestec's former workforce of roughly 115 employees. Adeptron also subsequently negotiated a 10-year lease for suitable manufacturing and office space for its Ottawa operations, with Prestec's former landlord.

The addition of Adeptron's Ottawa operations has expanded the Company's range of service offerings by adding expertise and equipment in the areas of cable and harness assembly, as well as mid-plane and back-plane assembly and box build. The acquisition also complements the existing Markham operations by increasing Adeptron's visibility in the marketplace through increasing the size of the business and range of services offered, adding sales and marketing human resources and allowing for enhanced disaster recovery planning opportunities due to greater operational redundancy of SMT and through-hole capabilities.

In the medium and longer term, Adeptron expects to experience sales and marketing benefits from this increased visibility in the marketplace and deeper sales and marketing strength. Over time, Adeptron also expects that the cross-marketing of services between its Markham and Ottawa facilities as well as the continuing integration of Adeptron's Ottawa and Markham operations will generally enhance the Company's overall competitiveness in the EMS marketplace.

In the short term, Adeptron has added to its pre-acquisition revenue base and its overall gross margins by successfully earning the business of many former Prestec customers. In addition, the transaction increased the diversity of the Company's customer base and the industry sector distribution of that customer base.

Adeptron also raised gross proceeds of $3.25 million during the quarter ended March 31, 2004, through a private placement financing transaction, primarily to finance the acquisition cost and immediate post-acquisition working capital requirements of the Ottawa operations. Of the total gross proceeds, $2.25 million was raised through the sale of units each consisting of one 12% Subordinated 18-month Note with a face value of $100 and warrants to purchase 70 common shares of the Company for a purchase price of $0.35 each. The other $1.0 million was raised, at the same time, through the sale of common shares at a price of $0.35 each.

The subordinated notes are repayable in full on maturity, with interest accrued at a rate of 12% *per annum* to the date of maturity. The warrants issued to investors in the units were originally exercisable for a period of 24 months after issuance and expire automatically after the 24-month term.

As discussed previously, the Company obtained approval by the necessary majority of subordinated note holders to extend the maturity date of the subordinated notes to September 30, 2005, unconditionally. In addition, a further extension of the maturity date to March 31, 2006 was also approved, subject to completing a closing for financing organized for the Company by Madison Grant Fund Inc. In connection with this extension, the expiry date of all warrants issued to subordinated note holders was extended by six months to the date that is 30 months after the issuance date of the warrants.

Disclosure of Outstanding Share Data

Adeptron has one class of voting or equity securities for which there are securities outstanding: common shares. As at the date of this Management's Discussion and Analysis, there are 34,613,000 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 the date of this Management's Discussion and Analysis, there are 2,547,000 such stock options outstanding, each exercisable for one common share, with various vesting and expiry dates and exercise prices ranging from $0.28 to $4.50. Accordingly, up to 2,547,000 common shares are issuable on exercise of the foregoing stock options.

Adeptron also has a total of 2,097,000 warrants outstanding, originally entitling each holder to purchase one Adeptron common share for $0.35 within a two-year period ending on February 4, 2006. Of these warrants, 1,540,000 have had their term extended for an additional six months, in connection with the extension of the maturity date for the Company's 12% 18-month Subordinated Promissory Notes. Accordingly, up to 2,097,000 common shares are issuable on exercise of the foregoing warrants.

Financial Statements

Adeptron Technologies Corporation

June 30, 2005

Adeptron Technologies Corporation

BALANCE SHEET

[unaudited]
[in thousands of dollars]
[See note 3 - Going Concern]

	As at June 30, 2005 $	**As at December 31, 2004** $
ASSETS *[note 5]*		
Current		
Cash	**2**	1
Restricted cash *[note 5]*	**318**	314
Accounts receivable *[notes 5 and 9[b] and [c]]*	**6,245**	5,590
Inventories	**4,080**	3,430
Prepaid expenses and deposits	**401**	403
Total current assets	**11,046**	9,738
Property, plant and equipment	**2,129**	2,205
Goodwill	**5,531**	5,531
Other assets	**311**	431
	19,017	17,905
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank operating loan *[note 5]*	**4,285**	3,901
Accounts payable and accrued liabilities *[note 9[c]]*	**6,420**	5,235
Current portion of restructuring accruals *[note 6]*	**96**	149
Subordinated notes *[note 7]*	**2,626**	2,455
Total current liabilities	**13,427**	11,740
Restructuring accruals *[note 6]*	**249**	287
Other long-term liabilities	**56**	89
Total liabilities	**13,732**	12,116
Commitments and contingencies *[note 4[c]]*		
Shareholders' equity		
Share capital *[note 8[b]]*	**35,058**	35,058
Contributed surplus *[note 8[c]]*	**758**	709
Warrants *[note 7]*	**106**	106
Deficit	**(30,637)**	(30,084)
Total shareholders' equity	**5,285**	5,789
	19,017	17,905

See accompanying notes

Adeptron Technologies Corporation

STATEMENT OF OPERATIONS AND DEFICIT

[unaudited]
[in thousands of dollars, except per share information]

	Three-month period ended June 30		Six-month period ended June 30	
	2005	**2004**	**2005**	**2004**
	$	$	$	$
Sales *[notes 9[b] and [c]]*	**9,396**	9,612	**17,863**	15,561
Cost of goods sold	**8,100**	8,647	**15,635**	14,494
Gross profit	**1,296**	965	**2,228**	1,067
Expenses (recoveries)				
Selling, general and administrative	**1,127**	1,360	**2,268**	2,679
Interest on subordinated notes	**120**	122	**239**	200
Other interest	**98**	74	**194**	137
Depreciation and amortization	**41**	71	**80**	132
Other income	**—**	(27)	**—**	(123)
Restructuring *[note 6]*	**—**	(6)	**—**	(203)
	1,386	1,594	**2,781**	2,822
Net loss for the period	**(90)**	(629)	**(553)**	(1,755)
Deficit, beginning of period	**(30,547)**	(28,030)	**(30,084)**	(26,904)
Deficit, end of period	**(30,637)**	(28,659)	**(30,637)**	(28,659)
Basic and diluted loss per share	**—**	(0.02)	**(0.02)**	(0.05)
Weighted average number of shares outstanding - basic and diluted [000's]	**34,613**	34,508	**34,613**	33,830

See accompanying notes

Adeptron Technologies Corporation

STATEMENT OF CASH FLOWS

[unaudited]
[in thousands of dollars]

	Three-month period ended June 30		Six-month period ended June 30	
	2005	**2004**	**2005**	**2004**
	$	$	$	$
OPERATING ACTIVITIES				
Net loss for the period	**(90)**	(629)	**(553)**	(1,755)
Add items not involving cash:				
Depreciation and amortization	**132**	441	**261**	876
Stock-based compensation *[notes 8[b] and [c]]*	**22**	23	**49**	339
Non-cash interest expense	**120**	124	**239**	200
Amortization of lease costs	**1**	—	**27**	—
	185	(41)	**23**	(340)
Changes in non-cash operating working capital balances related to operations:				
Accounts receivable	**(112)**	(1,074)	**(655)**	(2,741)
Income taxes recoverable	—	—	—	20
Inventories	**163**	(442)	**(650)**	(1,475)
Prepaid expenses and deposits	**(35)**	(70)	**(25)**	4
Accounts payable and accrued liabilities	**(204)**	895	**1,185**	3,031
Restructuring accruals	**(60)**	(22)	**(91)**	(245)
Cash used in operating activities	**(63)**	(754)	**(213)**	(1,746)
FINANCING ACTIVITIES				
Interest earned on restricted cash	**(2)**	(2)	**(4)**	(3)
Issuance of subordinated notes, net of issuance costs	—	(33)	—	1,935
Increase in bank operating loan	**189**	848	**384**	1,000
Issuance of common shares and warrants, net of issuance costs	—	(15)	—	1,020
Other long-term liabilities	**(17)**	(10)	**(33)**	110
Cash provided by financing activities	**170**	788	**347**	4,062
INVESTING ACTIVITIES				
Acquisition *[note 4]*	—	(54)	—	(2,308)
Acquisition of property, plant and equipment	**(107)**	(30)	**(133)**	(57)
Long-term deposits	—	26	—	(148)
Cash used in investing activities	**(107)**	(58)	**(133)**	(2,513)
Net increase (decrease) in cash during the period	—	(24)	**1**	(197)
Cash, beginning of period	**2**	24	**1**	197
Cash, end of period	**2**	—	**2**	—
Supplemental cash flow information				
Interest paid	**80**	57	**151**	105
Income taxes received	—	—	—	20

See accompanying notes

Adeptron Technologies Corporation

NOTES TO FINANCIAL STATEMENTS

[unaudited]
[in thousands of dollars, except as noted]

June 30, 2005

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 are located in Canada and all of the Company's sales are in Canada and the United States.

2. BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with Canadian generally accepted accounting principles ["GAAP"] for interim financial statements. The disclosures contained in these unaudited financial statements do not include all requirements of GAAP for annual financial statements. These unaudited financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2004.

These unaudited financial statements reflect all adjustments, which are, in the opinion of management, necessary to present fairly the financial position of the Company as at June 30, 2005 and the results of operations and cash flows for the three-month and six-month periods ended June 30, 2005.

These unaudited financial statements are based upon accounting policies consistent with those used and described in note 3 to the December 31, 2004 financial statements.

3. GOING CONCERN

These financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future.

The Company has incurred significant cumulative net losses since inception and has negative working capital and an accumulated deficit as at June 30, 2005. As a result, the Company's ability to continue as a going concern is uncertain and is dependent upon its ability to generate sufficient future cash flow and/or obtain sufficient financing to fund its business to the point that it achieves profitable operations.

The Company is continuing its efforts to increase revenues and has implemented a strategy to reduce its net cash outflows with the objective of achieving sustainable positive net cash flow. The Company believes it will be successful in implementing this strategy or otherwise securing alternative financing and as a result the Company believes it will be able to meet its short-term cash flow requirements. However, the outcome of this strategy cannot be predicted at this time.

These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

4. ACQUISITION

[a] Business combination

During the first quarter of 2004, the Company acquired certain operating assets of Prestec Electronics Ltd. [the "Ottawa Operations"], a Canadian electronics manufacturing services company headquartered in Ottawa, Ontario. The acquisition has been recorded as a business combination and, accordingly, the purchase method of accounting has been applied. The Company's operating results reflect the revenue and expenses of the acquired operations from the date of acquisition.

The purchase price of $2,299 was financed with cash which was raised by debt and equity financing *[note 7]* and the assumption of certain liabilities.

The Company estimated the value of the amortizable intangible asset acquired on the acquisition of the Ottawa Operations to be $243. The intangible asset represents customer relationships acquired as a result of the acquisition of the Ottawa Operations. This asset will be amortized over a three-year term.

Details of the net assets acquired, at estimated fair value, are as follows:

	$
Inventories	1,311
Property, plant and equipment	815
Customer relationships	243
Restructuring liability *[note 6]*	(70)
Total purchase consideration	2,299

[b] Restructuring

In connection with the acquisition, the Company has taken actions to reduce its workforce. The Company recorded a liability amounting to $70 for the severance amounts that will be payable to the terminated employees as part of the purchase price. As at June 30, 2005, the entire amount has been paid in respect of this restructuring as employment termination-related compensation to terminated employees.

[c] Contingent consideration

In connection with the acquisition of the Ottawa Operations, certain key managers signed non-competition and non-solicitation agreements, which apply whether their employment or consulting engagement is terminated either by the individual or by the Company. The agreements also provide for the payment of consideration to these individuals, based on the ongoing performance of the Ottawa Operations during the first three years after the acquisition. If earned, this compensation will be payable beginning in the second year after the acquisition transaction and ending after the fourth year after the transaction. The amount of compensation payable, if earned, will depend on a specified percentage of gross margin for the Ottawa Operations, ranging from 6% to 10% of gross margin and increasing as gross margin increases. Compensation is only payable under this arrangement if specified minimum gross margin and revenue thresholds are met. The total of all such compensation paid to all recipients over the course of the potential compensation period cannot exceed $3,000. For this maximum amount of compensation to be earned, the Ottawa Operations would need to have achieved over $30,000 in gross margin in aggregate during the applicable three-year calculation period. To date, the performance targets have not been met and therefore no compensation amounts have been recorded since the acquisition.

5. BANK OPERATING LOAN

On September 10, 2004, the Company and its senior lender revised the existing credit facility agreement to increase the credit available to the Company to $4,500 from $4,000, subject to certain terms and conditions. The effective credit limit under this facility is established based on certain terms and conditions, including the amount of accounts receivable available to secure the operating line. At June 30, 2005, the Company's bank operating loan balance of $4,285 was within its borrowing limit based on the accounts receivable margining conditions in its agreement with its senior lender. This operating line is repayable upon demand and substantially all of the assets of the Company are pledged as collateral by a general security agreement. The operating line is subject to interest at bank prime plus 3% and interest is payable monthly. The effective interest rate for the three-month and six-month periods ended June 30, 2005 was 7.3% [2004 - 6.8%] and 7.3% [2004 - 7.0%], respectively.

A specific condition of the agreement requires that the Company maintain a deposit of $300 with the lender in the form of a term deposit. This deposit may be released if certain financial covenants are met at the end of the Company's current fiscal year. This deposit, along with accrued interest, is classified as restricted cash.

6. BUSINESS RESTRUCTURING

In addition to the restructuring activities described in note 4[b], during the year ended December 31, 2001, the Company restructured its operations resulting in the closing of its manufacturing facilities in Calgary, Alberta and the consolidation of all operations in Markham, Ontario. The restructuring resulted in staff reductions, consolidation of office and manufacturing space and the sale of non-core assets.

Restructuring accrual activity is as follows:

	Six-month period ended June 30, 2005	**Year ended December 31, 2004**
	$	$
Balance, beginning of period	**436**	676
Severance accrual *[note 4[b]]*	**—**	70
Severance payments	**(53)**	(17)
Lease payments, net of sublease income	**(38)**	(89)
Adjustments	**—**	(204)
Balance, end of period	**345**	436
Less: current portion	**96**	149
	249	287

During 2004, restructuring accruals were reduced by $204, as a result of the extension of a sub-lease agreement that was negotiated by the Company and other adjustments related to the Calgary facilities.

The remaining obligation consists of facility leases that will be paid out over the remaining lease periods which extend through 2011.

7. FINANCING

During the first quarter of 2004, the Company issued debt and equity to finance the acquisition of the Ottawa Operations. The offering consisted of $1,000 in common share subscription receipts ["CSRs"] and $2,250 in unit subscription receipts ["USRs"]. Proceeds of $3,250 were released from escrow upon closure of the acquisition of the Ottawa Operations, net of issuance costs of approximately $250.

Upon closing of the acquisition of the Ottawa Operations, the CSRs were each automatically converted, for no additional consideration, into one share of the Company's common stock. Each CSR was issued for $0.35. The proceeds, net of the pro-rata share of issuance costs, are included in the share capital *[note 8[b]]*.

Upon closing of the acquisition of the Ottawa Operations, the USRs were each automatically converted, for no additional consideration, into 22,500 subordinated notes payable with a principal amount of $100 per note and 70 common shares purchase warrants per note. The subordinated notes mature 18 months from the date of issuance and accrue simple interest at a rate of 12% per annum. Principal and interest are due during August 2005 *[note 11]*. These notes are subordinated to the bank operating loan. Each common share purchase warrant is exercisable for one common share at a price of $0.35 for a period of 24 months. At June 30, 2005, the subordinated notes principal balance and accrued interest are classified as current liabilities.

The $2,250 of proceeds from the USRs has been split between liability and equity based on the residual method used to estimate the fair values of the subordinated notes and the warrants. Interest expense on the subordinated notes will accrue at 16%, being the effective rate, over the 18-month term and will be charged to earnings as incurred. The carrying values for the subordinated notes are determined as follows:

	June 30, 2005 $	**December 31, 2004** $
Principal of subordinated notes	**2,250**	2,250
Less: amount allocated to warrants	**(109)**	(109)
Amount allocated to subordinated notes	**2,141**	2,141
Add accrued interest	**485**	314
	2,626	2,455

Included in the statement of operations and deficit as interest on subordinated notes is the amortization of deferred financing costs. For the three-month and six-month periods ended June 30, 2005, amortization of deferred financing costs included as interest on subordinated notes was $35 [2004 - $38] and $68 [2004 - $57], respectively.

8. SHARE CAPITAL

[a] Authorized

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

[b] Common shares issued

The number of common shares issued and outstanding as at June 30, 2005 and December 31, 2004 was 34,613,000.

During February 2004, the Company also paid certain former Prestec Electronics Ltd. managers $300 in signing bonuses upon joining the Company as employees or consultants which is included in selling, general and administrative expenses. These managers paid a total cash amount equal to the amount of the signing bonuses as consideration for the purchase of newly issued capital stock, as agreed upon prior to the distribution of the signing bonuses.

[c] Stock options

The Company has established a stock option plan for its directors, officers, employees and consultants, whereby options to a maximum of 3,216,000 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 2008.

At June 30, 2005, the exercise price of outstanding stock options was $0.28 to $4.50 per common share. Changes in the number of options, with their weighted average exercise prices for the six-month period ended June 30, 2005 are summarized below:

	Number #	Weighted average exercise price $
Outstanding, December 31, 2004	**2,677**	**0.45**
Forfeited/expired	**(129)**	**0.40**
Outstanding, June 30, 2005	**2,548**	**0.45**
Options exercisable, June 30, 2005	**2,357**	**0.45**

The Company applies the fair value method of accounting for stock option awards granted to employees after January 1, 2003 and, accordingly, has recorded compensation expense in the three-month and six-month periods ended June 30, 2005 and 2004.

During the three-month and six-month periods ended June 30, 2005, the Company recorded $22 [2004 - $23] and $49 [2004 - $39] of stock-based compensation expense, respectively, relating to the fair value of options granted to employees in 2003 and 2004. These amounts are included in selling, general and administrative expenses and contributed surplus.

For the six-month period ended June 30, 2005, the Company did not grant any employee stock options and for the six-month period ended June 30, 2004 the weighted average estimated fair value at the date of the grant was $0.27 per option.

Prior to January 1, 2003, the Company recognized no compensation expense for stock options granted to employees. For awards granted in 2002, the Company disclosed the pro forma net earnings and earnings per share information as if the Company had accounted for employee stock options under the fair value method. For the six-month period ended June 30, 2005, there is no pro forma effect for stock option awards granted in 2002.

9. FINANCIAL INSTRUMENTS

[a] Fair values

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

[b] Credit risk

The Company's accounts receivable are exposed to credit risk as a result of approximately 47% [2004 - 41%] of the Company's sales for the six-month period ended June 30, 2005, being earned from two customers. At June 30, 2005, these two customers represent 52% [2004 - 53%] 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 consists 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 risk. Of the Company's accounts receivable and accounts payable and accrued liabilities at June 30, 2005, 69% [2004 - 66%] and 62% [2004 - 64%], respectively, are denominated in foreign currencies. During the six-month period ended June 30, 2005, approximately 62% [2004 - 60%] of sales were incurred in U.S. dollars.

10. 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.

Revenue attributable to geographic location based on the location of the customer is as follows:

	Three-month period ended June 30		**Six-month period ended June 30**	
	2005	**2004**	**2005**	**2004**
	$	$	$	$
Canada	**7,706**	7,622	**14,638**	12,289
United States	**1,690**	1,990	**3,225**	3,272
	9,396	9,612	**17,863**	15,561

Substantially all of the Company's identifiable assets as at June 30, 2005 and June 30, 2004 are located in Canada.

11. SUBSEQUENT EVENT

In August 2005, the Company extended the maturity date of its previously issued subordinated notes *[note 7]*. Under the terms of the extension, approved by the necessary majority of the holders of the subordinated notes, the maturity date has been unconditionally extended to September 30, 2005.

In addition, upon a closing of a financing organized by specified parties, the maturity date for all the outstanding subordinated notes will be automatically extended from September 30, 2005 to March 31, 2006.

12. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2005 financial statements.