PHOTON CONTROL INC.

MANAGEMENT DISCUSSION AND ANALYSIS

For the first quarter ending March 31, 2009

This Management Discussion and Analysis ("MD&A") is dated May 28, 2009. MD&A should be read in conjunction with the Audited Consolidated Financial Statements and accompanying notes for the year ended December 31, 2008.

Forward-Looking Statements

This Management's Discussion and Analysis ("MD&A") contains forward-looking statements about Photon Control Inc. (the "Company") and its business. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects," "anticipates," "believes," "intends," "estimates," "projects" and similar expressions, or that events or conditions "will," "may," "could" or "should" occur.

The forward-looking statements in this MD&A are subject to various risks, uncertainties and other factors that could cause the Company's actual results or achievements to differ materially from those expressed in or implied by forward-looking statements. These risks, uncertainties and other factors include, without limitation, uncertainty as to the Company's ability to successfully complete new product development along the timelines expected; the Company's need for funds to achieve its goals and uncertainties as to the availability and cost of financing the Company; uncertainty as to the continued and future demand for the Company's products; the Company's present reliance on four major customers for the majority of its sales; the Company's reliance on the financial health of the semiconductor industry for nearly all its sales; the accuracy and reliability of the factors and assumptions of the Company listed above; the development of competing technologies and the possibility of increased competition; the effect of slow growth in the Canadian, United States and international economies generally and other economic trends and conditions in the markets that the Company and its customers serve; the effect of the risks associated with technical difficulties or delays in product introductions, improvements, implementation, product development, product pricing or other initiatives of the Company and its competitors; factors that may result in a reduction in capital expenditures and/or delayed buying decisions affecting demand for the Company's products; currency fluctuations, the possibility that the Company will pursue additional development projects or other business opportunities.

Forward-looking statements are based on the beliefs, opinions and expectations of the Company's management at the time they are made, and the Company may but does not assume any obligation to update its forward-looking statements if those beliefs, opinions or expectations, or other circumstances, should change except as may be required by applicable securities laws. Readers should not place undue reliance on forward-looking statements. Precautionary statements made herein should be read as being applicable to all related forward-looking statements wherever they appear in this MD&A. Readers are encouraged to consider the other risks and uncertainties discussed in the Company's required financial statements and filings.

Approval

The Board of Directors of the Company has approved the disclosure contained in this MD&A.

FINANCIAL HIGHLIGHTS

- Q109 Sales $0.6 million compared to Q108 Sales of $1.4 million
- Q109 Operating Expenses $0.5 million, compared to $1.2 million for Q108
- Q109 Loss of $0.2 million compared to Q108 Loss $0.7 million
- Q109 Gross Margin 47%, compared to 37% for Q108
- Q109 Order Backlog $0.3 million, compared to $0.7 million for Q108

In 2009 Photon continued an initiative to establish new sources of revenues for existing and future products by continuing support of its diversification strategy, opening market opportunities and developing relationships with new distributors. Also, Photon continues to take decisive actions to achieve lean manufacturing, improved operational efficiency and effective cost savings solutions. In Q109 the company reduced salary expenses by approximately 20% through participation in the Work-Sharing program which is part of the Employment Insurance program under Human Resources and Skills Development Canada. During these tough economic conditions, Photon continues to deliver high quality, value-added services to its customers.

In Q109, and in accordance with the 3 year re-registration cycle, Photon successfully completed a re-registration audit of our Quality Management System to the ISO 9001:2008 standard. Also, as part of the direct supplier qualification by our 'Fortune 500' customer, Photon successfully completed the physical audit of our Quality Management System.

In Q109 Photon announced the resignation from the Board of Mr. Ted Parker due to his other professional commitments, and the appointment of Helena Rebec and Christopher Weston to the Board of Directors, in order to utilize the expertise of these two well established professionals already involved with Photon's operations.

As at March 31, 2009 the Company utilised $445,161 of its $500,000 bank line of credit.

PRODUCT SALES

Products sales in Q109 were $0.6 million compared to $1.4 million in Q108 primarily due to the prevailing business environment slowdown across the semiconductor sector, reduction in sales to one of the Company's major accounts and global economic conditions. Photon took positive action to mitigate these circumstances by reducing operating expenses, improving gross margins and generating new sales to non-semiconductor customers.

Photon successfully launched a new fiber optic temperature sensor product for bus bar and switch gear monitoring and established initial sales in the electrical power distribution market in both Europe and Asia. The low cost fiber optic sensor product was completed during 2008 and the first commercial sets were shipped to two customers in China. Following the initial requests and response from customers, Photon anticipates moderate growth in this sector through 2009. The Company demonstrated this line of sensors at a major power industry show in Shanghai in April 2009. First shipments of fiber optic temperature sensors occurred in Q109 to a leading electrical power instrumentation producer in Europe.

MARKETING

Photon has broad geographic representation with dedicated distributors in North America, Europe and Asia. In Q109 Photon continued to focus on marketing and business development efforts by assessing new customer markets and distributors. In line with this objective, Photon participated in Photonics West 2009 show in San Jose, Pittsburgh Conference on Analytical Chemistry and Applied Spectroscopy (Pittcon), Electronica & Productronica China (EP China) tradeshows for temperature sensors and spectrometers and is establishing a presence of its spectrometer products in the federal technology departments. Photon attended MD&M (Medical Design & Manufacturing) West 2009 Aneheim conference to explore new manufacturing opportunities as well.

BUSINESS DESCRIPTION

Photon Control Inc. is a public company listed on the Canadian TSX Venture Exchange (TSX-V) under the symbol PHO. At March 31 2009, Photon staff included 20 full-time personnel.

Photon develops and commercializes innovative optical sensor systems capable of use by customers in a variety of sectors. Photon's approach to creating shareholder value has been to pursue Original Equipment Manufacturer (OEM) sales whether directly or through a distributor and to investigate the market potential of products by working directly with customers in selected industries to foresee their sectors' requirements. These collaborations often include commitments to conduct trials of the new products in industrial sites.

Photon's measurement and control instruments are intended for applications with high demands for precision, repeatable performance and quality assurance. The semiconductor manufacturers that are Photon customers set very high standards of supply chain management and Photon has satisfied these requirements.

Currently Photon supplies products to its 'Fortune 500' customers through integrator contractors located in the USA, Europe, and Asia and directly supplies products to a second major capital equipment manufacturer located in Silicon Valley.

COMMERCIALIZED PRODUCTS AND BUSINESS TRENDS

The Company is supplying or starting to provide commercial products to the following market verticals through direct sales and in some cases through distributors for particular territories.

Manufacturing - Semiconductor Capital Equipment:	OEM sensing solutions (sensors for positioning, spacing, detection, and related controls, robot alignment and positioning jigs, analytical tools for inspection of silicon wafers) or Silicone Wafer Sensing Spectrometers Fiber optic temperature sensors
Oil, Gas & Petrochemical:	Optical flow meters for measurement of stack emissions (greenhouse gases, flares), fuel gas, associated gas, coal bed methane, biogas Total sulphur analyser for measurement of total sulphur content in diesel, gasoline, kerosene, jet fuel and other processed hydrocarbons Fiber optic temperature and pressure sensors for down-hole monitoring

Power & Energy:	Temperature Sensor Systems
Life Sciences:	Spectrometers Fiber Optic Temperature Sensors
Institutional:	Spectrometers Fiber Optic Temperature Sensors fMRI Response (LUMItouch®)
Food and Drug:	Spectrometers

SUBSEQUENT EVENTS

In April 2009, Photon qualified for an additional 52 weeks under the Work-Sharing assistance program.

As at May 28, 2009, Photon's Order Backlog stood at $0.8 million, compared to $0.3 million for Q109.

FINANCIAL OPERATIONS

For the quarter ended March 31, 2009 ("Q109") compared to the quarter ended March 31, 2008 ("Q108"). Certain of the comparative figures have been reclassified to conform with the presentation adopted for the current year.

Summary Of Quarterly Results

	March 31, 2009	December 31, 2008	Sept 30, 2008	June 30, 2008	March 31, 2008
Revenue	$ 635,889	$ 1,420,234	$ 1,058,453	$ 1,519,366	$ 1,352,327
Net income / loss	$ (160,592)	$ 37,332	$ 37,793	$ (520,553)	(677,976)
Net income / loss per share	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)

Revenue

Revenue for Q109 totalled $635,889 as compared to $1,352,327 in Q108. The backlog of secured work was $0.3 million at the end of Q109. The backlog of secured work was $0.7 million at the end of Q108.

Gross Margin

The gross margin percentage for Q109 was 47% compared to a Q108 gross margin of 37%.

Expenses

General and administrative expenses totalled $153,518 in Q109 as compared to $286,231 in Q108. This reflects the reduction in salaries, premises, and insurance expense.

Research and development expenses totalled $225,807 in Q109 as compared to $755,683 in Q108. This reflects the outsourcing of research and development that was completed in Q308.

Business development and marketing expenses were $32,862 in Q109 compared to $103,401 in Q108 due primarily to decreases in salaries of ($39,077), consulting fees ($14,288) and travel ($10,104).

Loss for the Period

The loss for Q109 was $160,592 as compared to a loss of $677,976 in Q108, due to a decrease in total operating costs of $721,914 offset by a decrease in gross margin of $204,530.

Liquidity and Solvency

Cash and cash equivalents as at March 31, 2009 totalled $2,053 compared to $580,256 as at March 31, 2008. The Company had working capital of $561,650 as at March 31, 2009 compared to working capital of $1,146,525 as at March 31, 2008. This reduction in cash and working capital has resulted from the continued use of cash for operations as detailed below.

Cash used in operations totalled $251,846 in Q109 as compared to $255,444 in Q108. Investing activities used cash of $12,305 Q109 as compared to $167,931 in Q108. Cash provided by financing activities were $157,622 in Q109 relating to the Company's credit facility.

As at March 31, 2009, the Company's accounts payable and accrued liabilities were $732,783 of which fall due for payment within twelve months of the balance sheet date. As at March 31, 2009, the Company was utilizing $445,161 of its $500,000 credit facility.

The Company's quarterly high and low share prices and average daily trading volumes during the last four quarters were as follows:

	Share Price		Avg Daily Volume
	High	Low	
Q208	$0.09	$0.05	42970
Q308	$0.07	$0.02	73777
Q408	$0.06	$0.01	235173
Q109	$0.03	$0.01	41184

The Company's future operations are dependent upon the market's acceptance of its products in order to ultimately generate future profitable operations, and the Company's ability to secure sufficient financing to fund future operations. There can be no assurance that the Company's new products will be able to secure market acceptance. Management is in the process of exploring financing options to secure the near term financing needs of the Company.

Critical Accounting Policies and Estimates

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. A summary of the significant accounting policies used in the preparation of our financial statements is included in note 2 of the consolidated financial statements for the period ended March 31, 2009. The measurement of certain assets and liabilities is dependent upon future events whose outcome will not be fully known until future reporting periods. Therefore, the preparation of the consolidated financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Actual results will vary from those estimated. Certain accounting policies are critical to understanding our reported financial results. These critical policies, which affect the reported amounts of revenue and the more significant areas involving management estimates, are described here.

Inventory

Inventory consists of optical, mechanical and electronic components and finished goods and is valued at the lower of cost or net realizable value. Cost is determined on a weighted average cost basis and includes the cost of direct material, direct labour and other overhead costs. Labour costs are allocated to items based on actual labour rates. Fixed and variable overhead are allocated to production activities in converting materials to finished goods.

Revenue recognition

Revenue from sales of products is recognized when goods are shipped and title passes, there is persuasive evidence of an arrangement, collection is probable and the fee is fixed and determinable. Cash collected prior to revenue recognition criteria being met is recorded as deferred revenue on the consolidated balance sheet.

Research and development costs

Research costs are expensed as incurred. Development costs are expensed as incurred unless they meet the required criteria for deferral and amortization. The Company has a balance of $190,905 of deferred development expenses as at March 31, 2009.

Financial Instruments

The Company has classified its financial instruments as follows:

- Cash and cash equivalents and bank indebtedness, if any, as “held-for-trading”.
- Trade accounts receivable and other amounts and due from related parties are classified as ”loans and receivables”.
- Accounts payable and accrued liabilities, amounts due to related parties and advances under credit facility are classified as “other financial liabilities”.

All financial instruments are initially recognized at fair value and are subsequently accounted for based on their classification. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, financial assets and liabilities classified as held-for-trading are measured at fair value with changes in fair value recorded in the Consolidated Statements of Operations. Financial assets classified as ”loans and receivables” and “other financial liabilities” are carried at amortized cost using the effective interest rate method. The fair values are based on quoted market bid process if available, otherwise fair value is obtained using discounted cash flow analysis. Transaction costs that are directly attributable to the issuance of financial assets or liabilities are accounted for as part of the carrying value at inception, and are recognized over the term of the assets or liabilities using the effective interest method. The adoption of these standards did not have an impact on the classification and valuation of financial instruments.

Changes in Accounting Policies including Initial Adoption

Goodwill and Intangible Assets

In February 2008, the CICA issued new CICA 3064, Goodwill and Intangible Assets, replacing CICA 3062, Goodwill and Other Intangible Assets, and CICA 3450, Research and Development Costs. Collectively, these changes bring Canadian practice closer to International Financial Reporting Standards (“IFRS”) and U.S. GAAP.

OUTLOOK, BUSINESS RISKS AND UNCERTAINTY

Sales Risks

Customers in the Company’s semi-conductor market have postponed orders as a consequence of a reduction of demand in their markets. It is unforeseeable to what extent this postponement of sales orders will translate into a longer term reduction of revenue from this segment. Uncertainties in the semiconductor markets, customer order volatility and changes in their budgets impact Photon’s liquidity. Photon endeavours to reduce the risk of key client dependence by continuing to diversify its product offering and growth in independent markets.

Foreign Exchange Risk

Photon's products are marketed internationally and are priced in U.S. dollars, which exposes the Company to U.S. and other foreign currency fluctuation risk. Photon manages its exposure to foreign currency fluctuation by maintaining Canadian and U.S. bank accounts to offset foreign currency payables and planned expenditures. As at March 31, 2009, the Company did not utilize any forward exchange contracts to mitigate any of the risks as mentioned above.

Going Concern Risk

Photon, like many other companies, faces a number of challenges and uncertainties in addition to normal business and operating risks. As part of ongoing efforts to dampen the influence of the global economic slowdown conditions, Photon restructured its Research and Development operations. In 2009 Photon continues to investigate strategic marketing opportunities and intends to leverage its industry expertise and to make prudent spending decisions in order to preserve long-term value.

The ability of the Company to meet its financial obligations as they fall due depends on the Company being able to continue to secure external financing as well as the timely collection of its outstanding trade accounts receivable. As at March 31, 2009, the Company's accounts payable and accrued liabilities were $732,783 of which fall due for payment within twelve months of the balance sheet date. As at March 31, 2009, the Company was utilizing $445,161 of its $500,000 credit facility.

The consolidated financial statements have been prepared by management on a going-concern basis, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and settle its liabilities and commitments in the normal course of business. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary should the going concern assumption become inappropriate.

Market and foreign exchange risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Company's net earnings of the values of financial instruments. The majority of the Company's sales revenues and trade receivables are denominated in United States dollars. As such the Company's may be subject to, material, realized and unrealized exchange gains or losses resulting from above average changes in exchange rates between the Canadian and United States dollar. As at March 31, 2009 the Company did not utilize any forward exchange contracts to mitigate the risks as outlined above.

Other

As at March 31, 2009 the Company has 101,752,018 common shares issued and outstanding. In addition there are outstanding stock options to purchase an additional 5,416,250 common shares.

Additional information and other publicly filed documents relating to the Company are available through the internet on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR"), which can be accessed at www.sedar.com.