PHOTON CONTROL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the second quarter ending June 30, 2010

(Unaudited)

This Management's Discussion and Analysis ("MD&A") of Photon Control Inc. (the "Company" or "Photon Control") is dated August 18, 2010. MD&A should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes for the period ended June 30, 2010, and the Audited Consolidated Financial Statements and accompanying notes for the fiscal year ended December 31, 2009.

Forward-Looking Statements

This MD&A contains forward looking statements, including statements regarding the business and anticipated financial performance of the Company, which involve risks and uncertainties. These risks and uncertainties may cause the Company's actual results to differ materially from those contemplated by the forward-looking statements. Factors that might cause or contribute to such differences include, among others, uncertainty as to the Company's ability to successfully complete new purchase orders 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, a vital part of its sales; the Company's ability to continue and further enhance revenue diversification and open new market opportunities; 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 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; and the possibility that the Company will pursue additional development projects in order to support existing customers or pursue 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.

BUSINESS OVERVIEW

Photon Control Inc. is a British Columbia company listed on the TSX Venture Exchange (TSX-V) under the symbol PHO. Photon Control commercializes and manufactures innovative optical sensor systems capable of use by customers in a variety of sectors. Photon Control'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 select industries to foresee their sectors' requirements. These collaborations often include commitments to conduct trials of the new products on industrial sites.

Photon Control'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 Control customers set very high standards of supply chain management and Photon Control has satisfied these requirements.

Currently Photon Control supplies products to its 'Fortune 500' customer base 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.

While focusing on manufacturing and distribution of high-quality products, Photon Control has established a strong business relationship with Photon Control R&D Ltd., an engineering and R&D company to which the Company had transferred its research and development division assets as of October 2008 for the purpose of converting the Company's intellectual property (consisting of 9 issued and 16 pending patents) into commercial products.

Photon Control has a strong and highly skilled employee base and has successfully managed to recruit and retain qualified personnel through competitive employment terms relative to the local labour market. In order to support the substantial growth in sales volumes over the last four quarters, Photon Control staff included 29 full-time personnel at June 30, 2010, representing an increase of 70% compared with the same quarter last year.

PRODUCTS AND BUSINESS TRENDS

The Company commercializes, manufactures and supplies 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 during SAGD extraction process

Power & Energy:

- Temperature Sensor Systems for monitoring of transformers, switchgear and power generators

Life Sciences:

- Spectrometers
- Fiber Optic Temperature Sensors

Institutional:

- Spectrometers
- Fiber Optic Temperature Sensors
- fMRI Response (LUMItouch®)

Food and Drug:

- Spectrometers

MARKETING

Photon Control has broad geographic representation with dedicated distributors in North America, Europe and Asia. The Company's expanded sales and marketing efforts are resulting in the successful securing of orders from new customers as well as follow-on orders from existing customers.

During 2010, Photon Control continued to evaluate new opportunities by focusing on marketing and business development and addressing both the current and future demands of its market. In light of this objective, Photon Control demonstrated its advanced products for oil in gas industry at the major show NefteGaz-2010 in Moscow in June 2010. Also, the Company will present its temperature monitoring systems at the Finepoint's 17th Annual Circuit Breaker Test & Maintenance Training Conference in Pittsburgh, Pennsylvania in October 2010.

The Company is actively seeking new distributors for its temperature sensor, spectrometer and flare meter product lines in key International markets.

CORPORATE VISION AND STRATEGY

Photon Control remains focused and fully committed to its core values and long-term growth strategy in order to respond effectively to the economic and market challenges and demand volatility.

Some of Photon Control's key operational objectives are:

- To enhance its sales opportunities on a global scale
- Steadily expand manufacturing efficiency, capacity and recruitment in order to meet increased customer demands
- Implement operating cost structures that align with revenue growth
- Create efficient financial planning and maintain strong budget controls in order to quickly adapt to new and changing market conditions
- Renegotiate contracts with vendors and suppliers to obtain more favourable terms
- Adhere to strict inventory control procedures

These activities were underway during 2009 and extended through the first half of 2010 representing an integral part of the Company's liquidity management and organizational efficiency development.

SECOND QUARTER 2010

Highlights

- Q2 2010 Sales of $3.9 million compared to Q2 2009 Sales of $0.7 million
- Q2 2010 Operating Expenses of $0.7 million compared to Q2 2009 of $0.5 million
- Q2 2010 Profit of $1,009,656 compared to Q2 2009 Loss of $191,064
- Q2 2010 Gross Margin of 43% compared to 46% for Q2 2009
- Q2 2010 Order Backlog of $2.2 million compared to $0.8 million for Q2 2009

Sales

Sales revenue continued a strong growth surge that has enabled Photon Control to achieve record sales and record earnings during the second quarter of 2010. Product sales in Q2 2010 were $3.9 million compared to $0.7 million in Q2 2009, an increase of $3.2 million.

Expenses

General and administrative expenses totalled $439,804 in Q2 2010 compared to $253,437 in Q2 2009. This reflects the increase in financial department services and office administration costs due to increase in sales volume.

Engineering expenses totalled $204,926 in Q2 2010 compared to $137,765 in Q2 2009. This reflects an increase in engineering services required for advancement of Photon Control's products.

Business development and marketing expenses totalled $34,454 for Q2 2010 representing a slight decrease compared to Q2 2009 of $38,330. This reflects the cost of business development and marketing salaries, travel and expenses related to researching and developing new markets for Photon Control's technical expertise and products.

Profit for the Period

The profit for Q2 2010 was $1,009,656 compared with a loss of $191,064 in the corresponding period of 2009. The achieved profitability in Q2 2010 followed the strengthening trend reported in the last half of 2009 and the beginning of 2010 and was in line with the Company's higher order volumes. This also reflected the increased sales through this period ($3,620,427 for Q1 2010 and $3,894,048 for Q2 2010) with a larger gross profit of $1,665,420 compared to $311,373 in Q2 2009.

RESULTS OF OPERATIONS

In 2008 and 2009, Photon Control took decisive actions to achieve effective cost-saving solutions, enhanced operational efficiency and lean manufacturing, which resulted in improved operating results in each of its business segments. In addition, Photon Control's focus on revenue diversification and quality of customer relationships was intended to secure consistent delivery of high quality and value-added services to its customers, open new market opportunities, and to develop a business and marketing alliance with new partners and distributors. In 2009, the Company experienced more stable market conditions, strong and steady sales volumes which resulted in achieving profitability for the year.

In the six months ended June 30, 2010, sales revenues continued the strong upward trend, contributing to Photon Control's strong performance and continued profitability in the first half of the year. Sales from Q1 and Q2 2010 combined totalled $7.5 million compared to $1.3 million for the six months ended June 30, 2009, have surpassed sales volumes for all of 2009 and are greater than any previous annual sales figures reported by Photon Control.

Q2 2010 Overview

Photon Control showed consistently strong performance achieving record revenue and profit results in Q2 2010. These results were mainly attributed to an improved economic environment including the recovery in the semiconductor market in combination with Photon Control's established cost management activities and operational efficiency programs.

In Q2 2010, Photon Control's sales to the semiconductor sector have grown steadily when compared to the same period last year and contributed significantly to the second quarter 2010 financial results. Also, during Q2 2010, Photon Control continued initiatives to diversify its product range however, in lower than expected sales volumes primarily due to changes in scheduling.

As at June 30, 2010 the Company's $500,000 bank line of credit was not utilized due to the increase in cash flow from operations however, was and is available for use if needed. Although there can be no assurances, Photon Control believes that cash generated from operations, committed purchase orders, and the availability of the Company's line of credit will give Photon Control financial resources necessary to operate in the current year and the foreseeable future.

Product Sales and Operational Update

Product sales in Q2 2010 were $3.9 million compared to $0.7 million in Q2 2009, an increase of $3.2 million primarily due to the improved economic environment and semiconductor market conditions, and supported by a steady flow of non-semiconductor product orders. Photon Control was able to achieve its fourth consecutive profitable quarter in Q2 2010 with a record $1,009,656 in earnings compared to a loss of $191,064 in Q2 2009.

The second quarter of 2010 continued to benefit from the rebound in semiconductor market demand which resulted in Photon Control's sales to this market increasing from quarter to quarter, recording $3.5 million in Q2 2010. Photon Control also continued to record revenues in other sectors, particularly products for oil and gas sectors and electrical power industries, which was reflected in Q2 2010 sales to non-semiconductor customers of $0.4 million, equal to Q2 2009. In addition, the Company's initiatives were directed at reorganizing and enhancing the distribution channels for optical gas flow meters, expanding participation in new tradeshows, and establishing Photon Control's business representative in Asia.

Gross Margin

The gross margin percentage for Q2 2010 of 43% decreased slightly from the Q2 2009 gross margin percentage of 46%. This small change in gross margin was primarily due to a change in the sales mix of less favourable margin products sold during the second quarter of 2010.

Operating Expenses

General and administrative expenses totalled $439,804 in Q2 2010 compared to $253,437 in Q2 2009.
General and administrative expenses increased through:

- legal and accounting fees of $121,573
- insurance of $29,125
- directors fees and expenses of $16,855
- office expenses of $14,962
- salaries and fees of $10,109

Engineering expenses totalled $204,926 in Q2 2010 compared to $137,765 in Q2 2009; this increase is due to increased volume of work required for engineering with the larger volume of business and focus on diversification in 2010.

Business development and marketing expenses totalled $34,454 in Q2 2010 compared to $38,330 in Q2 2009 due primarily to increases in:

- salaries of $16,543
- travel of $3,242

Offset by a decrease in:

- office rent $10,666
- other expenses $14,788

Other Expenses

Photon Control's products are priced in U.S. dollars. A foreign exchange gain of $75,688 was recorded in Q2 2010 compared to a foreign exchange loss of $14,328 in Q2 2009 due to a stronger CDN dollar in Q2 2010 compared to Q2 2009.

Net Earnings

The net earnings for Q2 2010 were $1,009,656 compared to a loss of $191,064 in Q2 2009. The operating expenses in Q2 2010 were $729,959 compared to $482,858 in Q2 2009. This increase of $247,101 reflects the increase in legal fees, staffing and computers in Q2 2010. Photon Control achieved a much larger volume and an increase in gross margin of $1,354,047 for a total gross margin of $1,665,420 in Q2 2010 compared to $311,373 in Q2 2009.

ORDER BACKLOG

The second quarter of 2010 continued to report a strong order backlog. At June 30, 2010 the Photon Control's order backlog stood at $2.2 million, an increase of $1.4 million over Q2 2009. This represents the total value of committed sales orders fulfilled and/or waiting to be fulfilled in the third and fourth quarters of 2010.

SUMMARY OF QUARTERLY RESULTS

The following table is a summary of our financial results for the past eight quarters. Certain of the comparative figures in the following table have been reclassified to conform to the presentation adopted for Q2 2010.

	June 30, 2010	March 31, 2010	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008
Revenue	$ 3,894,048	$ 3,620,427	$ 2,577,936	$ 1,489,914	$ 683,971	$ 635,889	$ 1,420,234	$ 1,058,453
Net income / (loss)	$ 1,009,656	$ 894,158	$ 193,046	$ 343,340	$ (191,064)	$ (160,592)	$ 37,332	$ 37,793
Net income / (loss) per share Basic & Diluted	$ 0.01	$ 0.01	$ 0.00	$ 0.00	$ (0.00)	$ (0.00)	$ 0.00	$ 0.00

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents at June 30, 2010 had a balance of $235,077 compared to $12,955 as at December 31, 2009. The Company had working capital of $2,833,863 as at June 30, 2010 compared to working capital of $1,425,945 as at December 31, 2009. This increase in working capital has resulted from the cash generated from operations.

Cash flow from operations totalled $719,994 in Q2 2010 compared to $329,423 used for operations in Q2 2009. Investing activities used cash of $4,812 in Q2 2010 compared to $25,412 in Q2 2009. Financing activities in Q2 2010 made available the full credit line of $500,000, as the outstanding balance of the credit line was paid down in Q2 2010.

As at June 30, 2010, the Company's accounts payable and accrued liabilities was $1,407,436 which are all due for payment within twelve months of the balance sheet date. As at June 30, 2010, the Company was not utilizing the $500,000 available line of credit.

Nature of and Continuing Operations

The Company's financial statements for the second quarter ended June, 30 2010 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.

The Company's ability to continue as a going concern is dependent upon its ability to fund working capital and its ability to generate positive cash flows from operations.

The Company has made efforts to diversify the industries that it serves in an attempt to reduce the impact of a downturn on any one segment. The continued manufacturing and distribution of existing products and the commercialization of new products in 2010 form the basis of management's opinion that the Company will meet its liabilities and commitments as they become due. The Company is currently monitoring all expenditures and implementing cash management strategies to ensure that it has adequate cash reserves to fund identified expenditure requirements.

To this end, the Company has insured its receivables in order to receive additional asset-based financing.

Contractual Obligations

Leases:

The Company has entered into premises leases requiring the following minimum lease payments as follows:

2010	849,314
2011	667,132
2012	216,443
	$ 1,732,889

The above lease commitment amounts are prior to rental expense recoveries of $213,657 per annum for 2010 plus $17,805 in 2011 in relation to sub-lease agreements executed in 2006 and 2007.

The Company entered into a lease agreement in June 2006 and in 2009 has recorded $105,240 (2008: 119,808) in deferred rent to account for reduced rent benefits received.

Litigation:

In October 2001, a former member of management and director of the Company (the "Claimant") initiated arbitration proceeding asserting that certain amounts were owing to him by the Company. The Company denies that it owes these amounts.

In addition, the Claimant has filed a claim against the Company seeking unspecified damages for wrongful dismissal. The Company considers the allegations in the lawsuit to be without merit and intends to defend the action. The Company has also filed a counterclaim.

The Company's application to dismiss the claim was denied in September 2009 and trial of claims and cross-claims is scheduled to commence in January 2011.

It is not possible to determine the likely outcome of these litigation matters, nor is it possible to determine the nature and amount of consideration, if any, which the Company may have to pay or which it may collect as a result of these proceedings. Provision has been made in the accounts of the Company for these actions.

RELATED PARTY TRANSACTIONS

All transactions with related parties have been translated in the normal course of operations and have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Related party transactions include transactions with Photon Control R&D Ltd. Photon Control R&D Ltd. commenced providing engineering consulting and research and development services to the Company on October 1, 2008 and, as a result, the Company has reduced its internal research and development operations.

The engineering, research and development expenses are provided from shared space provided by the Company. The Company charges Photon Control R&D Ltd. premises and related expenses to recover the Company's costs. Amounts outstanding with Photon Control R&D Ltd. are non-interest bearing, unsecured and due on demand.

Quarters ended:	June 30, 2010	Dec 31,2009
Balance Sheet:		
Accounts Receivable	$ 893,075	626,419
Note Receivable	212,601	219,541
Accounts payable	75,311	30,971
Statement of operations:		
Recovery of premises and related expenses	606,210	1,562,859
Sale of products	44,625	0
Engineering, research and development services	264,637	351,131
Royalties	62,189	67,466

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. The Company has acquired and maintains liability insurance for directors and officers of the Company.

SUBSEQUENT EVENTS

As at the date of this report, Photon Control's order backlog stood at $2.3 million, compared to $2.2 million for Q2 2010.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The second quarter 2010 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 quarter ended June 30, 2010. The measurement of certain assets and liabilities is dependent upon future events, the outcome of which 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 an actual FIFO 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 hours input. 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.

Engineering Costs

Research costs are expensed as incurred. Development costs are expensed as incurred unless they meet the required criteria for deferral and amortization. There were no additional costs which were deferred in Q2 2010, after deferring $219,071 in 2008 relating to development of a portable sulphur analyzer product. The Company amortizes previously deferred development costs, commencing with commercial production, over the expected future benefit period based upon quantities delivered compared to expected levels contracted to be delivered. The Company has a balance of $189,938 of deferred development expenses as at June 30, 2010.

Stock-based Compensation Plans

The Company accounts for employee stock options using the fair value based method. Under the fair value based method, compensation cost attributable to options granted to employees and directors is measured at the fair value at the grant date using the Black-Scholes option pricing model. Compensation expense is recognized over the vesting period of the underlying option.

Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital. No compensation cost is recognized for options that employees forfeit if they fail to satisfy the service requirement for vesting. Compensation expense is recognized for stock-based payments to non-employees using the fair value based method.

Warranty Provision Estimate

The company accrues for the estimated obligation under warranty provisions at the time sales are recognized and any changes in estimates are recognized prospectively.

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

Recently adopted accounting pronouncements:

Credit Risk and Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued EIC – 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. The guidance requires that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 20, 2009. The adoption of this section did not have a material impact on the Company's consolidated financial statements.

Financial Instruments, Disclosure and Presentation

Effective January 1, 2009, the Company has adopted the enhanced disclosure requirements of amended CICA Section 3862, Financial Instruments - Disclosures. Refer to note 12 for fair value measurement disclosures using a fair value hierarchy that reflects the significance of the inputs in making the measurements.

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. The effective date of adopting this standard for the Company is January 1, 2009. This standard is not expected to impact the Company's financial statements.

International Financial Reporting Standards

The CICA's Accounting Standards Board has announced that Canadian publicly accountable enterprises will adopt IFRS as issued by the International Accounting Standards Board effective January 1, 2011. The Company is in the process of developing a plan for the implementation of IFRS and will assess the impact of the differences in accounting standards on the Company's consolidated financial statements.

The Company expects to make changes to processes and system before the 2011 fiscal year, in time to enable the Company to record transactions under IFRS for comparative purposes in the 2011 financial year reporting.

OUTLOOK, BUSINESS RISKS AND UNCERTAINTY

Sales Risks

Photon Control endeavours to reduce the risk of key client dependence and the semiconductor industry fluctuation by continuing its initiative to diversify its product range and develop relationships with new distributors for products for the oil and gas industry and power and utilities sectors, using Photon Control's range of sensors and measurement products.

Going Concern Risk

The Company's ability to continue as a going concern is dependant upon its ability to fund working capital and its ability to generate positive cash flows from operations. While the Company has made efforts to diversify the industries that it serves in an attempt to reduce the impact of a downturn on any one segment, there can be no assurance that the Company will be successful in doing so or that the Company would be able to secure funding on acceptable terms when required. 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.

Outlook, Market, Competition, and Foreign Exchange Risk

Although the overall economic climate continues to pose a challenge, the second quarter of 2010 marked excellent progress in Photon Control's performance as the Company achieved its fourth consecutive quarter of sales and profit growth. This demonstrates the resilience of Photon Control's business to generate revenue for the foreseeable future. As anticipated in prior quarters, Photon Control continues to be encouraged by the level of fulfilled and received purchase orders in 2010, running well ahead of the level from a year earlier, which should result in continued revenue growth.

While there can be no assurance of the ability of the Company to penetrate target markets, the Company endeavours to limit the effects of risk factors, including the competition risks, through its strategic planning, management processes and by scanning trade publications. The Company continues to focus on securing consistent delivery of high quality and value-added services to its customers.

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 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 June 30, 2010, the Company did not utilize any forward exchange contracts to mitigate any of the risks as mentioned above. Photon Control manages its exposure to foreign currency fluctuation by maintaining Canadian and U.S. dollar bank accounts to offset foreign currency payables and planned expenditures. As at June 30, 2010, the Company was not exposed to significant credit or interest rate risk.

OUTSTANDING SHARE DATA

As at June 30, 2010 and the date hereof, the Company had 102,752,018 common shares issued and outstanding. There were outstanding stock options to purchase an additional 3,955,000 common shares of the Company as at June 30, 2010.

ADDITIONAL INFORMATION

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