



Pacific Insight Electronics Corp.

Unaudited Financial Statements for the Three and Nine Months Ended

March 31, 2010

Third Quarter of Fiscal 2010

The accompanying unaudited interim consolidated financial statements of Pacific Insight Electronics Corp. have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Pacific Insight Electronics Corp.

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BALANCE SHEET

	March 31, 2010	June 30, 2009
Assets		
Current assets		
Cash	\$ 1,750,630	\$ 3,267,723
Accounts receivable	4,735,631	2,303,457
Inventories [note 2]	5,324,566	3,527,954
Prepaid expenses and deposits	116,099	36,561
Forward currency contracts [note 6]	-	113,190
Income tax receivable	39,615	656,000
	11,966,541	9,904,885
Property, plant, and equipment [note 3]	6,981,314	6,776,081
Product development costs [note 4]	1,374,437	1,210,163
	\$ 20,322,292	\$ 17,891,129
Liabilities and Shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 3,345,465	\$ 1,579,777
	3,345,465	1,579,777
Future income taxes	865,537	827,000
Long term debt [note 8]	293,177	-
	4,504,179	2,406,777
Shareholders' equity		
Share capital [note 7]	6,154,536	6,154,536
Contributed surplus [note 7]	419,199	299,821
Retained earnings	9,244,378	9,029,995
	15,818,113	15,484,352
	\$ 20,322,292	\$ 17,891,129

The accompanying notes are an integral part of these unaudited interim financial statements.

Approved on behalf of the Board of Directors:

"J. Cowan McKinney"
 J. Cowan McKinney
 Chairman of the Board

"Stuart D. Ross"
 Stuart D. Ross
 Director



STATEMENT OF OPERATIONS AND RETAINED EARNINGS

	Three months ended March 31		Nine months ended March 31	
	2010	2009	2010	2009
Sales	\$ 8,018,794	\$ 4,567,642	\$ 21,075,274	\$ 19,316,889
Cost of sales	5,975,525	3,830,597	16,317,793	14,715,645
Gross profit	2,043,269	737,045	4,757,481	4,601,244
Expenses				
Selling, general, and administrative	1,037,378	1,256,607	3,232,701	3,898,101
Amortization of plant and equipment	317,832	311,492	911,673	890,756
Amortization of product development costs	73,726	145,331	191,388	501,405
	1,428,936	1,713,430	4,335,762	5,290,262
Operating earnings (loss)	614,333	(976,385)	421,719	(689,018)
Other income/(expense)	(43,015)	(1,353)	(38,105)	14,513
Earnings (loss) before income taxes	571,318	(977,738)	383,614	(674,505)
Income tax expense (recovery)	247,231	(310,000)	169,231	(208,000)
Net earnings (loss)	324,087	(667,738)	214,383	(466,505)
Retained earnings, beginning of period	8,920,291	9,791,538	9,029,995	9,590,305
Retained earnings, end of period	\$ 9,244,378	\$ 9,123,800	\$ 9,244,378	\$ 9,123,800
Net earnings (loss) per common share				
Basic	\$ 0.05	\$ (0.11)	\$ 0.03	\$ (0.08)
Diluted	\$ 0.05	\$ (0.11)	\$ 0.03	\$ (0.08)
Weighted average number of common shares				
Basic	5,937,417	5,937,417	5,937,417	5,917,325
Diluted	5,944,141	5,937,417	5,937,417	5,917,325

The accompanying notes are an integral part of these unaudited interim financial statements.



STATEMENTS OF CASH FLOWS

	Three months ended March 31		Nine months ended March 31	
	2010	2009	2010	2009
OPERATING ACTIVITIES				
Net earnings (loss)	\$ 324,087	\$ (667,738)	\$ 214,383	\$ (466,505)
Items not involving cash:				
Amortization of plant and equipment	317,832	311,492	911,673	890,756
Amortization of product development costs	73,726	145,331	191,388	501,405
Stock-based compensation expense	119,378	-	119,378	39,333
Future income taxes	2,537	35,000	38,537	41,000
	837,560	(175,915)	1,475,359	1,005,989
Net changes in non-cash working capital balances related to operations [note 10]	(218,308)	214,838	(1,813,061)	266,104
Cash flows provided (used in) by operating activities	619,252	38,923	(337,702)	1,272,093
FINANCING ACTIVITIES				
Issuance of share capital	-	-	-	58,000
Repurchase of share capital	-	-	-	(25,305)
Long-term debt [note 8]	293,177	-	293,177	-
Cash provided by financing activities	293,177	-	293,177	32,695
INVESTING ACTIVITIES				
Property, plant, and equipment additions	(279,884)	(374,877)	(1,160,157)	(1,132,978)
Reduction in assets from long-term debt [note 8]	43,251	-	43,251	-
Deferred product development cost additions	(131,231)	(255,823)	(470,179)	(680,125)
Reduction in assets from investment tax credits [note 9]	114,517	-	114,517	-
Cash flows used in investing activities	(253,347)	(630,700)	(1,472,568)	(1,813,103)
Change in cash	659,082	(591,777)	(1,517,093)	(508,315)
Cash, beginning of period	1,091,548	2,134,493	3,267,723	2,051,031
Cash, end of period	\$ 1,750,630	\$ 1,542,716	\$ 1,750,630	\$ 1,542,716

The accompanying notes are an integral part of these unaudited interim financial statements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

March 31, 2010

1. SIGNIFICANT ACCOUNTING POLICIES

- a. **Description of business** – Pacific Insight Electronics Corp. (the “Company”) is an electronic solutions provider for the transportation industries. The Company sells its products and services to original equipment manufacturers and distributors in the United States and Canada. The Company has manufacturing operations in Canada and Mexico.
- b. **Accounting policies** – Management prepared these interim consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”) using the same accounting policies and methods of their application as the most recent annual consolidated financial statements, except as noted below. These interim consolidated financial statements do not include all the information and footnotes as required in the annual consolidated financial statements and as such should be read in conjunction with the company's most recent audited annual consolidated financial statements. These interim consolidated financial statements and the notes thereto have not been reviewed by the company's external auditors pursuant to a review engagement applying review standards set out in the Canadian Institute of Chartered Accountants (“CICA”) Handbook.
- c. **Going concern** – The management of Pacific Insight Electronics Corp. has assessed and is confident in the ability of the Company to continue as a going concern.
- d. **Reclassifications** – Certain amounts have been re-classified to conform to the current period's presentation.
- e. **New accounting pronouncements**

International Financial Reporting Standards (IFRS)

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

The transition date of the Company will be July 1, 2011 and will require the restatement for comparative purposes of amounts reported for the year ended June 30, 2011. The Company is completing an analysis to identify differences in reporting standards and assess the impacts of adoption. An implementation strategy is under development to ensure compliance with these reporting requirements.

Business Combinations

In January 2009, the CICA issued Handbook Sections 1582, Business Combinations, 1601, Consolidated Financial Statements and 1602, Non-Controlling Interests which replace CICA Handbook Sections 1581, Business Combinations and 1600, Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These sections are applicable for the Company's interim and annual consolidated financial statements for fiscal years beginning on or after January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently.

2. INVENTORIES

	March 31, 2010	June 30, 2009
Raw materials and work in process	\$ 4,570,356	\$ 3,058,650
Finished products	754,210	469,304
	<u>\$ 5,324,566</u>	<u>\$ 3,527,954</u>

3. PROPERTY, PLANT, AND EQUIPMENT

	Cost		Accumulated Amortization		Net Book Value	
March 31, 2010						
Property	\$	440,831	\$	—	\$	440,831
Plant		3,765,879		864,870		2,901,009
Equipment		11,063,187		7,423,713		3,639,474
	\$	15,269,897	\$	8,288,583	\$	6,981,314
<hr/>						
June 30, 2009						
Property	\$	40,831	\$	—	\$	440,831
Plant		3,765,879		801,378		2,964,501
Equipment		9,986,279		6,615,530		3,370,749
	\$	14,192,989	\$	7,416,908	\$	6,776,081

4. PRODUCT DEVELOPMENT COSTS

	March 31, 2010		June 30, 2009	
Balance, beginning of period	\$	1,210,163	\$	1,007,765
Additions		470,179		974,533
Investment tax credit		(114,517)		(84,876)
Amortization		(191,388)		(687,259)
Balance, end of period	\$	1,374,437	\$	1,210,163

5. CREDIT FACILITIES

The Company has two main credit facilities in place:

- an operating line of credit facility for up to \$5,000,000
- a property, plant, and equipment acquisition facility for up to \$1,000,000

The facilities are secured by a General Security Agreement on certain assets of the Company, and require the Company to adhere to several covenants. As at March 31, 2010 the Company was in compliance with these covenants.

6. FORWARD CURRENCY CONTRACTS

The Company uses forward contracts as needed to manage foreign exchange risk on US dollar fluctuations. At March 31, 2010 the Company had no forward contracts. At June 30, 2009 the Company had \$900,000USD in forward contracts at an average exchange rate of 1.289, resulting in an unrealized gain of \$113,190.

7. SHARE CAPITAL

a) The authorized share capital of the Company is 100,000,000 common shares without par value.

Details of issued and outstanding common shares are as follows:

	March 31, 2010		June 30, 2009	
	Number Of Shares	Amount	Number Of Shares	Amount
Balance, beginning of period	5,937,417	\$ 6,154,536	6,043,517	\$ 6,247,980
Exercise of options	—	—	40,000	58,000
Cancellation	—	—	(146,100)	(151,444)
Balance before treasury shares	5,937,417	6,154,536	5,937,417	6,154,536
Treasury shares, beginning of period	—	—	(135,000)	(189,881)
Repurchased	—	—	(11,100)	(25,305)
Cancelled	—	—	146,100	215,186
Treasury shares end of period	—	—	—	—
Net balance, end of period	5,937,417	\$ 6,154,536	5,937,417	\$ 6,154,536

	Three months ended March 31		Nine months ended March 31	
	2010	2009	2010	2009
Weighted average number of common shares				
Basic	5,937,417	5,937,417	5,937,417	5,917,325
Effect of dilutive stock options	6,724	—	—	—
Diluted	5,944,141	5,937,417	5,937,417	5,917,325

For the nine months ending March 31, 2010 the calculation of diluted earnings per share was not affected by options as the average share price of \$1.64 did not exceed the exercise price.

b) **Stock options** – The Company has a stock option plan (the Plan). Options to purchase common shares of the Company under the Plan may be granted by the Board of Directors to certain executive officers, directors, employees, and consultants of the Company. Under the Plan, the exercise price of each option shall not be less than the weighted average closing price of the Company's shares for the five trading days preceding the date of the grant. The options can be granted for a maximum term of ten years. Vesting periods are determined by the Board of Directors.

A summary of stock option activity is presented below:

	Nine months ended March 31, 2010		Year ended June 30, 2009	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	211,550	\$3.35	480,100	\$2.60
Granted	315,000	\$2.07	—	—
Exercised	—	—	(40,000)	\$1.45
Cancelled / Expired	(2,000)	\$3.06	(228,550)	\$2.11
Outstanding, end of period	524,550	\$2.58	211,550	\$3.35
Currently exercisable	314,550	\$2.92	211,550	\$3.35

The following table summarizes stock options outstanding as at March 31, 2010:

Expiry Date	Exercise Price	Options Outstanding March 31, 2010
Sept. 24, 2011	2.32	89,550
Aug. 22, 2016	4.12	120,000
Feb. 23, 2020	2.07	315,000
		524,550

The Black-Scholes option pricing model calculation for the options vested during the 9 months ended March 31, 2010 was based on the following underlying assumptions:

	Nine Months Ended March 31, 2010
Risk free interest rate	2.23%
Expected life of the options granted	5 years
Expected volatility	53.70%
Expected dividends	—

During the year ended June 30, 2009, 20,000 stock options vested, with a weighted average fair value of \$1.97 per option. Stock-based compensation of \$39,333 was charged to administrative expenses with the offset recorded as contributed surplus. During the 3 months ended March 31, 2010 the Company granted 315,000 stock options valued at \$652,050 with an issue price of \$2.07 per option; 105,000 of these stock options vested during the quarter. Stock-based compensation of \$119,378 was charged to administrative expenses with the offset recorded as contributed surplus.

c) The contributed surplus schedule is as follows, all contributed surplus was generated from stock-based compensation:

Balance, June 30, 2008	\$260,488
Stock options exercised	—
Stock-based compensation	39,333
Balance, June 30, 2009	\$299,821
Stock options exercised	—
Stock-based compensation	119,378
Balance, March 31, 2010	\$419,199

8. LONG-TERM DEBT

Pacific Insight has been awarded funding under the Community Adjustment Fund (CAF) through Western Economic Diversification. PI has been approved for a total project cost of \$2.8 million of which \$1.6 million will be funded by Pacific Insight and \$1.2 million through the CAF (interest free loan, repayable beginning September 1, 2011, \$13,400 per month). The funding will be used for our Focused Manufacturing Project, a company-wide initiative to improve manufacturing efficiency using a combination of Lean principles and capital investment.

During the nine months ended March 31, 2009, Pacific Insight received \$353,114 in funding under the agreement. The Company recognized at fair value a long-term liability of \$293,177 (discounted at 7.34%), a reduction of property, plant and equipment of \$43,251 and a reduction of expenditures in the amount of \$16,686.

9. INVESTMENT TAX CREDITS

During the quarter ended March 31, 2010 and year ended June 30, 2009 the Company received government assistance in the form of input tax credits. The tax credits were accounted for as follows:

1. A portion of the tax credits were reflected as a reduction to product development costs net of accumulated amortization of the cost of those assets. In fiscal 2010 that amount was \$114,517 (June 30, 2009 - \$84,876).
2. The amortization in future periods is to be calculated on the net amount.
3. A portion of the tax credits were reflected as a reduction to property, plant and equipment. In fiscal 2010 that amount was \$25,348 (June 30, 2009 - \$0).
4. A portion of the tax credits were related to operating expenditures and were recorded as a reduction of the Selling, general and administrative expenses net of income tax in fiscal 2010 of \$221,803 (June 30, 2009 - \$277,069).
5. The tax credits also included interest expense and interest income, for a net impact on income in fiscal 2010 of (\$4,914), June 30, 2009 - \$33,707.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Net changes in non-cash working capital balances related to operations	Three months ended March 31		Nine months ended March 31	
	2010	2009	2010	2009
Accounts receivable	\$ (120,789)	\$ 1,070,310	\$ (2,432,174)	\$ 1,227,513
Inventories	(507,349)	34,290	(1,796,612)	(188,944)
Prepaid expenses and deposits	71,553	57,185	(79,538)	(2,376)
Income taxes	624,385	(345,000)	616,385	(355,000)
Forward currency contracts	(2,100)	—	113,190	—
Accounts payable and accrued liabilities	(284,008)	(601,947)	1,765,688	(415,089)
	\$ (218,308)	\$ 214,838	\$ (1,813,061)	\$ 266,104

During the nine months ended March 31, 2010 the Company paid no income tax or interest.

11. SIGNIFICANT CUSTOMERS

During the nine months ended March 31, 2010 sales to the four largest customers amounted to 15%, 14%, 12%, and 8% of total revenue. During the nine months ended March 31, 2009 sales to the four largest customers amounted to 26%, 12%, 8%, and 7% of total revenue.

As at March 31, 2010 customers with the four largest accounts receivable balances amounted to 14%, 12%, 11%, and 9% of total accounts receivable; at June 30, 2009 the figures were 23%, 10%, 8%, and 8%.

12. COMMITMENTS

The Company leases premises in Mexico for \$16,702 USD per month and in Novi, Michigan for \$1,330 USD per month. At the March 31, 2010 exchange rate, the future minimum lease payments are as follows:

Location	Lease Term	March 31, 2010
Mexico	June 30, 2014	\$ 856,233
Michigan	March 31, 2011	16,212
		\$ 872,445

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash, accounts receivable, and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. Management manages cash default risk by dealing with only large financial institutions with good credit ratings and manages receivable credit risk through standard credit and reference checks.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2010 the Company had a cash balance of \$1,750,630 to settle current liabilities of \$3,345,465. At June 30, 2009 balances were \$3,267,723 and \$1,579,777 respectively. All of the Company's current financial liabilities have contractual maturities of less than 120 days and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current practice is to invest excess cash in investment-grade securities and deposits when appropriate.

(b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in US Dollars (USD). The Company's current practice is to purchase forward contracts as needed to hedge anticipated cash conversion needs. The effect on year to date pre-tax earnings of a 1% change in the USD foreign exchange rate, based on current operations and product mix, would be approximately \$59,000.

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors certain commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken.

14. CAPITAL DISCLOSURES

Management's objective when it comes to managing capital is to safeguard the Company's ability to continue as a going concern so that it can provide adequate returns for shareholders and benefits for other stakeholders.

Management considers capital to be assets less liabilities. As at March 31, 2010 the Company had capital of \$15.82 million. As at June 30, 2009 the Company had capital of \$15.48 million.

The Company has no regulatory capital requirements; however the bank has imposed certain covenants in connection with the loan facilities. As at March 31, 2010 the Company was in compliance with these covenants.

15. SEGMENTED INFORMATION

The Company operates in one business segment as an electronic solutions provider to the commercial, automotive, and specialty vehicle markets in Canada and the United States. Geographic information related to sales is as follows:

	Nine months ended March 31				
	2010		2009		
Sales					
Canada	\$	3,837,006	18%	\$ 4,050,922	21%
United States		17,238,268	82%	15,265,967	79%
Total sales	\$	21,075,274	100%	\$ 19,316,889	100%

Geographic information related to property, plant, and equipment is as follows:

	March 31		June 30		
	2010		2009		
Asset location					
Canada	\$	6,380,477	91%	\$ 6,213,281	92%
Mexico		600,837	9%	562,800	8%
Total Property, plant, and equipment	\$	6,981,314	100%	\$ 6,776,081	100%



CORPORATE INFORMATION

Board of Directors

J. Cowan McKinney	Chairman
Stuart D. Ross	Director
Stuart O. McLaughlin	Director
Gary B. Sutherland	Director

Corporate Office

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Auditors

Davidson & Company, LLP
Vancouver, B.C., Canada

Counsel, Registered and Records Office

McCullough O'Connor Irwin
Vancouver, B.C., Canada

Investment Information

Shares Listed: Toronto Stock Exchange ('TSX')
Trading Symbol – PIH

Common Shares Authorized:	100,000,000
As at March 31, 2010	
Common Shares Outstanding:	5,937,417
Weighted Average/Fully Diluted Number of Common Shares:	5,937,417

Transfer Agent

Computershare Trust Company of Canada
Vancouver, B.C. and Toronto, Ontario, Canada

Corporate Relations

Corporate relations enquiries should be directed to 1 (800) 995-1155 or via email to investor@pacificinsight.com
Corporate information is available on the Company website www.pacificinsight.com and www.sedar.com.