ESTEC SYSTEMS CORP.

Interim Consolidated Financial Statements
March 31, 2010 and 2009

NOTE: These interim financial statements have been prepared by management and have NOT been reviewed by our external auditors

ESTEC SYSTEMS CORP.
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Quarters Ended March 2010 and 2009

Interim Consolidated Statements of Income and Deficit

ESTEC SYSTEMS CORP.

Three months ended March 31, 2010 and 2009

	2010	2009
REVENUE	**$ 448,210**	**$ 622,114**
DIRECT EXPENSES	42,200	52,672
GROSS PROFIT (91%; 2009 – 92%)	406,010	569,442
EXPENSES		
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	477,677	498,941
AMORTIZATION OF PROPERTY AND EQUIPMENT	8,438	5,377
LOSS ON DISPOSAL OF PROPERTY AND EQUIPMENT	2,857	0
NET INCOME (LOSS) BEFORE INCOME TAXES	(82,962)	65,124
INCOME TAXES	12,974	22,053
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	**(69,988)**	**43,071**
DEFICIT, BEGINNING OF PERIOD	(908,369)	(1,126,226)
DEFICIT, END OF PERIOD	**$ (978,357)**	**$ (1,083,155)**
BASIC AND DILUTED INCOME PER SHARE (Note 12)	**$ (.01)**	**$ .0**
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (Note 9)	10,461,629	10,461,629

Interim Consolidated Statement of Income and Deficit

ESTEC SYSTEMS CORP.

Nine months ended March 31, 2010 and 2009

	2010	2009
REVENUE	**$ 1,569,475**	**$ 1,663,615**
DIRECT EXPENSES	136,744	103,849
ROSS PROFIT (91%; 2009 – 94%)	1,432,731	1,559,766
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Schedule 1, page 19)	1,459,673	1,323,362
AMORTIZATION OF PROPERTY AND EQUIPMENT	22,019	14,791
LOSS ON DISPOSAL OF PROPERTY AND EQUIPMENT	6,558	139
INCOME (LOSS) BEFORE INCOME TAXES	(55,519)	221,474
INCOME TAXES	3,377	72,838
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	**(58,896)**	**148,636**
DEFICIT, BEGINNING OF PERIOD	(919,461)	(1,231,791)
DEFICIT, END OF PERIOD	**$ (978,357)**	**$ (1,083,155)**
BASIC AND DILUTED INCOME PER SHARE (Note 12)	**$ (.01)**	**$ .01**
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (Note 9)	10,461,629	10,461,629

Interim Consolidated Balance Sheets

ESTEC SYSTEMS CORP.

March 31, 2010 and June 30, 2009

ASSETS		**31 March 2010**		**30 June 2009**
CURRENT				
Cash (Note 5)	$	-	$	16,466
Accounts receivable		536,788		512,338
Unbilled revenue		87,264		57,764
Prepaid expenses		33,305		60,539
TOTAL CURRENT ASSETS		657,357		647,107
Property & Equipment (Note 3)		128,459		111,846
Goodwill (Note 4)		75,796		75,796
TOTAL ASSETS	$	861,612	$	834,749

LIABILITIES AND SHAREHOLDERS' EQUITY		**31 March 2010**		**30 June 2009**
CURRENT				
Bank indebtedness (Note 5)	$	104,126	$	-
Accounts payable and accrued liabilities		119,056		144,114
Income taxes payable (Note 7)		3,377		-
TOTAL CURRENT LIABILITIES		226,559		144,114
Advances from related parties (Note 6)		365,804		365,000
TOTAL LIABILITIES		592,363		509,114
Contributed surplus (Note 8)		15,343		12,833
Share capital (Note 9)		1,232,263		1,232,263
Deficit		(978,357)		(919,461)
TOTAL SHAREHOLDERS EQUITY		269,249		325,635
TOTAL LIABILITIES & SHAREHOLDERS EQUITY	$	861,612	$	834,749

Anthony B. Nelson
director

David E. Wright
director

ESTEC SYSTEMS CORP.

Three months ended March 31, 2010 and 2009

		2010		**2009**
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	$	(69,988)	$	43,071
Items not affecting cash:				
Amortization of property and equipment		8,438		5,377
Loss on disposal of property and equipment		2,857		0
Stock based compensation		0		0
		(58,693)		48,448
Changes in non-cash working capital		15,029		(16,453)
Cash flow from (used by) cash flows from operating activities		(43,664)		31,995
Cash flows used by investing activity				
Purchase of property and equipment		(36,860)		(15,109)
Cash flows used by financing activity				
Advances (to) from related parties		0		41
INCREASE (DECREASE) IN CASH FLOW		(80,524)		16,927
DEFICIENCY – BEGINNING OF PERIOD		(23,602)		(113,935)
CASH (BANK INDEBTEDNESS) - END OF PERIOD	$	(104,126)	$	(97,008)
CASH FLOWS SUPPLEMENTARY INFORMATION				
Interest paid		811		263

Interim Consolidated Statement of Cash Flows

ESTEC SYSTEMS CORP.

Nine months ended March 31, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) from continuing operations	$ (58,896)	$ 148,636
Items not affecting cash:		
Amortization of property and equipment	22,019	14,791
Loss on disposal of property and equipment	6,558	139
Stock based compensation	2,510	
	(27,809)	163,566
Changes in non-cash working capital (Note 13)	(48,397)	(24,082)
Cash flow from (used by) cash flows from operating activities	(76,206)	139,484
Cash flows used by investing activity		
Purchase of property and equipment	(45,190)	(25,809)
Cash flows used by financing activity		
Advances (to) from related parties	804	(289)
INCREASE (DECREASE) IN CASH FLOW	(120,592)	113,386
CASH (DEFICIENCY) – BEGINNING OF YEAR	16,466	(210,394)
CASH (BANK INDEBTEDNESS) - END OF PERIOD	$ (104,126)	$ (97,008)
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest paid	922	4,566
CASH (BANK INDEBTEDNESS) CONSISTS OF:		
Cash in bank	-	-
Outstanding Cheques	104,126	97,008

Note 1
Description of Business

ESTec Systems Corp. ("the Company") owns and operates an engineering consulting firm. The principal operating subsidiary of the Company is Allan R. Nelson Engineering (1997) Inc.

The Company was incorporated under the Alberta Business Corporations Act and is traded on the TSX Venture Exchange.

Note 2
Summary of Significant Accounting Policies

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Because the precise determination of many assets, liabilities, revenues and expenses is dependent upon future events, the preparation of financial statements includes the use of estimates and approximations which have been made using careful judgment. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

Basis of Consolidation
These consolidated financial statements are expressed in Canadian dollars and include the accounts of the Company and its wholly-owned subsidiary, Allan R. Nelson Engineering (1997) Inc. All intercompany balances have been eliminated.

Revenue Recognition
Sales revenue is comprised of revenues from consulting and engineering contracts. It is recorded as the related service is provided, in the amount as determined by the contract for services with the customer, and collectability is reasonably assured.

Work in Progress
Costs recoverable for services provided but not yet billed are shown as work in progress. Cost is measured based on the number of hours allocated to the job multiplied by the hourly payroll rate of the professional and the actual cost of associated disbursements.

Note 2
Summary of
Significant
Accounting Policies
Continued...

Income Taxes
The Company follows the liability method of accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. Changes to the balances are recognized in income when they are expected to occur. A valuation allowance is provided to the extent that it is more likely than not that future tax assets may not be realized in the near term.

Property and Equipment
Property and equipment are stated at cost less accumulated amortization. Expenditures on major replacements, extensions and improvements are capitalized. The cost of maintenance, repairs and renewals or replacements, other than those of a major nature, are charged to expense as incurred. The Company provides for amortization at an annual rate, which will amortize the original cost to the estimated salvage value over the useful life of the assets.

Amortization is calculated using the declining balance method at the following annual rates:

	Rate
Computer hardware	20%
Computer software	30%
Equipment	20%
Office equipment	20%
Inspection equipment	20%

Note 2
Summary of Significant Accounting Policies Continued...

Impairment of Property and Equipment
Property and equipment are tested for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value. No impairment has been recorded in the current fiscal year.

Financial Instruments
The Company has designated its financial assets and liabilities as follows:

Financial Statement item	Classification	Measurement
Cash (bank indebtedness)	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized Cost
Advances from related parties	Other financial liabilities	Amortized Cost

Transaction costs
Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability’s carrying value at inception except for held-for-trading securities where the costs are expensed immediately.

Goodwill
Goodwill represents the excess of the purchase price paid for Allan R. Nelson Engineering (1997) Inc. over the fair value of the net assets acquired. Management annually reviews the valuation of this goodwill based on the estimated future cash flows of Allan R. Nelson Engineering (1997) Inc. Management will also review the valuation in the event of any circumstances which might have impaired the fair value. It was concluded that no impairment exists in the value of the goodwill at March 31, 2010 or 2009.

Note 2
Summary of
Significant
Accounting Policies
Continued...

Stock based compensation
The Company has a stock option plan that provides for the issuance of stock options to key employees, directors and officers as described in Note 10. The value is recognized over the applicable vesting period as an increase to compensation expense and contributed surplus. When the options are exercised, the proceeds received by the Company, together with the amount in contributed surplus, are credited to share capital.

Earnings (loss) per share
Earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is calculated using the treasury stock method. Under the treasury stock method, deemed proceeds from potentially dilutive securities are considered to be used to acquire common shares at an average stock price during the year.

Shares provided as security for any share purchase financing agreement are excluded from the calculation for the basic earnings (loss) per share. These shares have not been included in diluted earnings (loss) per share as the result is anti-dilutive.

Statement of Cash Flows
The Company is using the indirect method in its presentation of the Statements of Cash Flows.

Leases
Leases are classified as either capital or operating leases. A lease that transfers substantially all of the benefits and risks incident to the ownership of property is classified as a capital lease; all other leases are accounted for as operating leases. At the time the Company enters into a capital lease, an asset is recorded with its related long-term obligation to reflect the acquisition and financing. Rental payments under operating leases are expensed as incurred.

Note 2
Summary of Significant Accounting Policies Continued...

Measurement Uncertainty
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financials statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from those estimates. The significant estimates pertain to the physical and economic lives of property and equipment and the recoverability of accounts receivable.

Capital Disclosures
In the last fiscal year, the Company adopted new CICA issued Handbook Section 1535 “Capital Disclosures.” This Section establishes standards for disclosing information about the entity’s capital and how it is managed, in order for a user of the financial statements to evaluate the entity’s objectives, policies and processes for managing capital. This change has been applied retrospectively as the result of a change in primary source of generally accepted accounting principles in Canada and has no effect on the consolidated financial statements of the Company for the years ended June 30, 2009 and 2008, but provided an enhanced level of disclosure.

The required disclosures have been included in Note 14 to the financial statements.

Changes in accounting policies
In the last fiscal year, the Company adopted the newly issued CICA Handbook Section 3862 “Financial Instruments – Disclosure” and Section 3863, “Financial Instruments – Presentation” which are the primary source of generally accepted accounting principles in Canada. The change is applied prospectively and does not have a material effect on the financial statements of the Company for the years ended June 30, 2009 and 2008 but provides an enhanced level of disclosure.

ESTEC SYSTEMS CORP.

March 31, 2010 and 2009

Note 2
Summary of Significant Accounting Policies Continued...

Effectively July 1, 2008, the Company adopted Canadian Institute of Chartered Accountants (CICA) Handbook Section 3031, "Inventories", which supersedes Section 3030. The new standard introduces significant changes to the measurement and disclosure of inventory and provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. In addition, in certain circumstances, write-downs of inventory previously recognized may be reversed.

Adoption of this standard has not had a material impact on the Company's financial statements.

Note 3
Property and Equipment

			March 2010 Net book value
	Cost	Accumulated Amortization	Net Book Value
Computer hardware	$ 78,360	$ 31,143	$ 47,217
Computer software	126,204	87,303	38,901
Equipment	55,912	24,563	31,349
Office equipment	26,169	17,865	8,304
Inspection equipment	17,296	14,608	2,688
	$ 303,941	**$ 175,482**	**$ 128,459**

Amortization provided for in the current period totaled $8,438 year to date $22,019

ESTEC SYSTEMS CORP.

March 31, 2010 and 2009

Note 3
Property and Equipment Continued…

			March 2009 Net book value
	Cost	Accumulated Amortization	Net Book Value
Computer hardware	$ 81,902	$ 42,107	$ 39,795
Computer software	108,424	81,061	27,363
Equipment	31,135	21,372	9,763
Office equipment	30,392	20,214	10,178
Inspection equipment	17,296	13,936	3,360
	$ 269,149	**$ 178,690**	**$ 90,459**

Amortization provided for in the current period totaled $5,378, year to date $14,791

Note 4
Goodwill

	2010	**2009**
Goodwill, at cost	$ 133,150	$ 133,150
Less accumulated amortization (prior to 2002)	57,354	57,354
	$ 75,796	$ 75,796

ESTEC SYSTEMS CORP.

March 31, 2010 and 2009

Note 5
Cash and Bank Indebtedness

Bank indebtedness is comprised of the following:

	2010	2009
Cash in bank	$ 29,920	$ 15,935
Outstanding Cheques	(39,046)	(42,943)
Bank operating lines	(95,000)	(70,000)
	$ (104,126)	$ (97,008)

The bank operating lines are authorized to a total of $250,000 with interest payable at prime plus 2% (2009 prime plus 1.5%). A general security agreement and limited guarantees from directors and related parties in the amount of $187,500 have been pledged as collateral for the bank operating lines.

Note 6
Related Party Transactions and Balances

During the year, the Company had business transactions with corporations controlled by certain directors of the Company. These transactions, which were in the normal course of operations and measured at the exchange value agreed between the parties, are as follows:

	2010	2009
Payment of rent to a company controlled by certain directors	$ 67,500	$ 67,500
Advances from directors, non-interest bearing, unsecured	166,911	167,393
Advances from corporations controlled by directors, non-interest bearing, unsecured	198,893	206,286
	$ 365,804	$ 373,679

Note 6
Related Party Transactions and Balances Continued…

Loans payable to related parties in the amount of $ 365,804 (2009 - $ 373,679) have no fixed terms of repayment and the parties waived their right to receive any repayment in the current fiscal year, therefore these amounts have been classified as long term.

Included in trade accounts payable is $ 6,731 (2009 - $4,541) owing to a director.

Note 7
Income Taxes

Income taxes for the quarters are estimated by taking the profit of the company and using the statutory rate of 25% (2009 – 29.5%).

Note 8
Contributed Surplus

The Company uses the fair value based method to account for stock-based compensation. Fair values are determined using the Black Scholes Model. Compensation costs are recognized over the vesting period as an increase to compensation expense and contributed surplus. When options are exercised, the proceeds received by the Company, together with the fair value amount in contributed surplus, are credited to capital stock.

	2010	**2009**
Opening Contributed surplus	$ 12,833	$ -
Fair value of options granted – recorded as compensation expense	2,510	12,833
	$ 15,343	$ 12,833

Note 9
Share Capital

Authorized:
200,000,000 common shares without par value

Issued shares:

	2010		2009	
	Number of Shares	Stated Capital	Number of Shares	Stated Capital
Balance – End of period	10,461,629	$1,232,363	10,461,629	$1,232,363

Note 10
Stock Option Plan

The Company has a stock option plan that provides for the issuance of stock options to key employees, directors, and officers. Stock options allow the holder to obtain one common share for each stock option exercised. These share options vest immediately once they have been granted. Outstanding stock options will expire over a period ending no later than July 24, 2014. The Company has reserved 1,046,162 shares in Treasury to meet share options outstanding, less options already issued.

	2010		2009	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Number of shares under option				
Beginning of year	600,000	$ 0.10	650,000	$ 0.10
Options granted	270,000	0.10		
Options exercised	-	-	-	-
Options cancelled or expired	-	-	50,000	0.10
End of quarter	870,000	$ 0.10	600,000	$ 0.10

Note 10
Stock Option Plan
Continued…

Using the Black Scholes option pricing model, using a spot rate of $0.04**,** a strike rate of $0.10, maturity of 5 years, a risk free rate of 2.1% and a volatility of 91.3%, the fair value of the options noted above at the date of their issuance is $2,510.

At the end of the period, the following options were outstanding:

	Number of share options outstanding - March 31, 2010	**Weighted average remaining contractual life (years)**
Options outstanding ($0.10 exercise price)	870,000	2.59

Note 11
Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, and advances from related parties

Fair Value
The Company's carrying value of cash, accounts receivable, accounts payable and accrued liabilities approximates its fair value due to the immediate or short-term maturity of these instruments.

The fair value of the advances from related parties are less than carrying value, as the amounts are non-interest bearing. As the amounts have no terms of repayment, the fair value cannot be calculated with any degree of certainty.

Credit Risk
The Company is exposed to credit risk through trade receivables and work in progress. In the normal course of business, the Company evaluates the financial condition of its customers on a continuing basis and reviews the credit worthiness of all new customers.

Note 11
Financial Instruments
Continued…

Management assesses the need for allowances for potential credit losses by considering the credit risk of specific customers, historic trends, and other information.

The Company is subject to a concentration of credit risk with respect to $249,284 in accounts receivable from the Company's three largest customers at March 31, 2010.

Interest rate risk
Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities. The Company is exposed to interest rate risk primarily through its floating interest rate operating line. At March 31, 2010, the operating line was drawn to $95,000 and fluctuations in interest rate would not materially affect the operating results of the Company.

Market risk
The Company is exposed to market risk through its reliance on the oil industry. Management believes the risk faced by the Company with regard to market risk is an acceptable risk faced in the ordinary course of business.

Note 12
Diluted Income Per
Share

Options to purchase 870,000 common shares that were outstanding as of the quarter ended March 31, 2010 were included in the computation of diluted earnings per share.

Note 13
Changes in Non-Cash Working Capital

	2010	2009
Accounts receivable	$ (24,450)	$(114,659)
Work in progress	(29,500)	(3,718)
Prepaid expense	27,234	22,830
Accounts payable and accrued liabilities	(25,058)	(1,373)
Income taxes payable	3,377	72,838
	$ (48,397)	$ (24,082)

Note 14
Capital Disclosures

The Company's objectives in managing capital are:

i. to safeguard its ability to operate as a going concern, and
ii. to maintain a strong financial position, and
iii. to maintain a low cost of debt

Through its subsidiary Allan R. Nelson Engineering (1997) Inc. the company has a $250,000 line of credit with ATB Financial Services (ATB). ATB has placed conditions on Allan R. Nelson Engineering (1997) Inc. with regards to working capital, debt to equity and debt service. Allan R. Nelson Engineering (1997) Inc. is fully compliant with these conditions at March 31, 2010.

	Mar. 31, 2010	June 30, 2009
Related Party Loans	(365,804)	(365,000)
ATB Financial	(95,000)	-
Total Debt	(460,804)	(365,000)
Cash (Bank indebtedness)	(104,126)	16,466
Net Debt	(564,930)	(348,534)
Shareholders’ equity	(269,249)	(325,635)
Total Capitalization	(834,179)	(674,169)

SCHEDULE OF SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

ESTEC SYSTEMS CORP.

March 31, 2010 and 2009

	2010	2009
Salaries and benefits	1,143,589	1,012,425
Rent	67,500	67,500
Professional fees	53,150	44,460
Repairs and maintenance		
Software maintenance	32,457	5,247
Com puter maintenance	4,503	1,932
Office maintenance	10,026	3,629
Insurance	42,700	28,539
Advertising and promotion	41,141	84,984
Office supplies and maintenance	24,010	16,290
Technology and telecommunications	16,013	17,320
Public company compliance	10,549	11,969
Dues, memberships and business taxes	8,336	9,754
Bank charges and interest	3,497	16,504
Courier and freight	1,148	2,278
Office	1,055	350
Bad debts	-	105
Misc. costs	-	76
	1,459,673	1,323,362