COMPANY PROFILE

Estec Systems Corp. is a holding company that owns Allan R. Nelson Engineering (1997) Inc. and Encore Electronics Inc.

Allan R. Nelson Engineering (1997) Inc. (ARN) is a group of professional engineers and technologists who carry diverse skills and a variety of professional backgrounds.
ARN provides design engineering & forensic engineering services to the oil and gas, mining, manufacturing, transportation and forestry industries. The largest part of ARN's business is design of masts and drilling structures to API 4F (American Petroleum Institute 4F Specification for Drilling and Well Servicing Structures).
Committed to continuous improvement ARN utilizes state-of-the-art software to provide timely and competitive solutions for our clients.

Encore Electronics Inc. is an electronics design and manufacturing business located in Saratoga Springs, New York. Its product line includes signal conditioners, strain gage amplifiers, vibration monitoring equipment and computer controlled signal conditioning instrumentation.
Encore is an OEM supplier to some of America's largest aerospace, power generation and technology based industrial multi-national conglomerates.
The Company's products and services are used in a wide variety of engineering, industrial and technology applications including aircraft engine design, automotive and turbine testing, and research and development in aerospace electronics.

CONTENTS

FORWARD LOOKING STATEMENTS

Certain statements in this report may be deemed to be forward-looking statements within the meaning of the federal and provincial securities laws. Although management believes the expectations reflected in these forward-looking statements are based on reasonable assumptions, forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause actual results and performance of the Company to be materially different from any future results and performance expressed or implied by such forward-looking statements. Among these risks and uncertainties are:

- changes in the markets in general economic conditions;
- the extent, duration and strength of any economic recovery in the markets in which the company operates;
- changes in the Oil & Gas drilling market;
- the cost and availability of debt and equity financing;
- our ability to realize anticipated cost savings from our internal initiatives and to otherwise create and capture benefits of scale;
- our ability to obtain at reasonable cost, adequate insurance for catastrophic events, such as earthquakes, hurricanes and terrorist acts;
- changes in interest rates;
- other risks and uncertainties.

The forward looking statements should not be read as guarantees of future performance or results, and no assurance can be given that the expectations will be realized. The Company assumes no obligation to update or supplement forward-looking statements that become untrue because of subsequent events. Without limiting the foregoing, the words “believe”, “expect”, “anticipate”, “intend”, “estimate”, “plan” and similar expressions identify forward-looking statements.

Year in review

Management Discussion & Analysis

2010/2011

Edmonton – 7 October 2011.

The past year has been challenging for ESTec Systems Corp. We have seen a slowdown continuing on the engineering side due to the economic recession and we have acquired an electronics manufacturing business, Encore Electronics Inc.

The engineering business has slowed down significantly due to the economic recession. Sales of engineering services are down 9% from last year which was down 12% from the year before. During the year we also had a 33% turnover in the engineering staff, along with the associated increased project costs as the new engineers came up to speed on the on-going projects. The last half of the year showed some improvement over the previous year, and the improvement has continued into the first quarter of the next fiscal year. While we do not expect to return to 2009 level sales in the engineering business, we are looking forward to better than 2010 engineering sales in the coming year.

For several years we have been working with Erythana Ventures Corp., a mergers and acquisitions consultant, to try to identify a takeover target that would provide some synergies. In the fall of 2010 we were able to come to an agreement to purchase Encore Electronics Inc. of Saratoga Springs, New York, subject to financing. Early in 2011 we were able to obtain financing from a major Canadian bank, and we closed the purchase at the end of April 2011. When we purchased the company we understood that they lacked internal controls and had only a marginal control over their inventory. Since the purchase we have been implementing additional controls, and bringing their accounting practices up to standard. One discovery was that there was considerably more inventory than expected, although most of the additional inventory is obsolete. Over the next year we will be implementing a proper manufacturing control system that will allow us to identify the obsolete inventory and dispose of it.

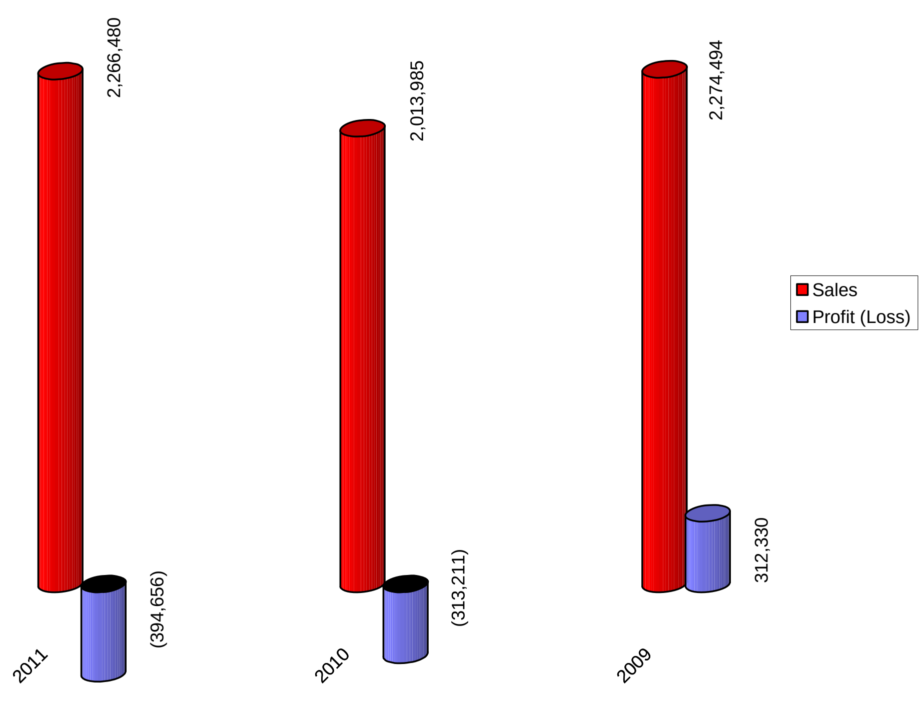
Encore Electronics has been quite profitable over the past few years. Our first few months were less profitable mainly due to the closing costs and the costs associated with installation and training for the new accounting system. We expect the increased costs associated with the new accounting system and additional controls to continue for the first couple of quarters of next year.

Encore Electronics has done little marketing or sales over the past decades. One of the programs we are implementing is an upgrade to their sales and marketing efforts. At this time they are highly dependent on two customers who represent the majority of their business. The new sales department has two goals. The first is to reduce the percentage of sales to these two clients by bringing in new clients. The second goal is to increase the dollar value of the sales to these two clients, through cross selling to other departments, and identifying additional products we can manufacture for the existing client departments. Some progress has been achieved on both these goals although it will probably not show up in sales until the second or third quarter of next year.

Selected Annual Information

	Year ended June 30, 2011	Year ended June 30, 2010	Year ended June 30, 2009
Total Revenues	2,266,480	2,013,985	2,274,494
Income/(Loss) from operations	(76,623)	(313,211)	312,330
Basic (loss) / income per share	(0.01)	(0.03)	.03
Diluted (loss) / income per share	(0.01)	(0.03)	.03
Net (loss) / income	(394,656)	(313,211)	312,330
Comprehensive (loss) / income	(375,889)	(313,211)	312,330
Basic (loss) / income per share	(0.04)	(0.03)	.03
Diluted (loss) / income per share	(0.04)	(0.03)	.03
Total Assets	2,094,432	756,475	834,749
Total long-term financial liabilities	1,897,094	381,981	365,000

In the 2010 fiscal year we were hit by the on-going economic slowdown. Our workload dropped significantly and that was compounded by the loss of our engineering manager. Continuing staff turnover in 2011 and continued slowing of economic activity resulted in lower sales for the engineering services in 2011. In addition to the slower sales we had significant costs associated with the purchase of Encore Electronics and implementing new software and control systems at Encore Electronics.



ESTec Systems' Sales

Discussion of Operations

	Electronics	Engineering	2011	2010*
Revenue	$ 422,616	$ 1,843,864*	$ 2,266,480	$ 2,013,985
Direct Costs	(304,618)	(62,023)	(366,641)	(148,525)
Gross margin (loss)	117,998	1,781,841	1,899,839	1,865,460
Expenses	(94,473)	(1,881,989)	(1,976,462)	(2,178,671)
Loss from operations	23,525	(100,148)	(76,623)	(313,211)
Other expenses	(256,673)	(78,961)	(335,634)	-
Loss before income tax	(233,148)	(179,109)	(412,257)	(313,211)
Income taxes (recovered)	(17,601)	-	(17,601)	-
Net loss	(215,547)	(179,109)	(394,656)	(313,211)
Identifiable assets	1,522,991	571,441	2,094,432	756,475

*Due to the fact that the Electronics portion of our business was acquired during the last part of the year there are no comparison figures available for the 2010 year for this segment. The 2010 numbers therefore are the totals for the engineering division only.

Engineering sales are down significantly from last year, reflecting the continuing slow economic conditions, however the operating loss went down primarily due to reductions in the wages expense. This was more than offset by the other expenses. In the case of Encore the other expense was related to the closing costs and the cost of integrating Encore into our accounting system. In the engineering, the other expense is related to write-off of R&D associated with the top drive development project as a result of Farr Canada withdrawing from our licensing agreement.

Summary of Quarterly Results

	For the 3 months ended 30 June 2011	For the 3 months ended 31 March 2011	For the 3 months ended 31 Dec. 2010	For the 3 months ended 30 Sept. 2010
Total revenues	$ 884,497	$ 461,745	$ 406,038	$ 514,200
Income/(loss) from operations	40,702	(6,355)	(138,879)	27,909
Basic and diluted income / (loss) per share	(0)	(0)	(.02)	0
Net (loss) / income	(214,458)	(69,228)	(138,879)	27,909
Comprehensive (loss) / income	(195,691)	(69,228)	(138,879)	27,909
Basic and diluted income / (loss) per share	(.02)	(.01)	(.01)	0

	For the 3 months ended 30 June 2010	For the 3 months ended 31 March 2010	For the 3 months ended 31 Dec. 2009	For the 3 months ended 30 Sept. 2009
Total Revenues	$ 444,510	$ 448,210	$ 496,125	$ 625,140
(Loss) / income from operations	(254,315)	(69,988)	(75,911)	87,003
Basic and diluted (loss) / income per share	(.03)	(.01)	(.01)	.01
Net (loss) / income and comprehensive (loss) / income	(254,315)	(69,988)	(75,911)	87,003
Basic and diluted (loss) / income per share	(.03)	(.01)	(.01)	.01

The variation in sales is due to the oil & gas sector economic activity. The June 30, 2011 sales are the first period to include Encore Electronics Inc.

Liquidity

The company has positive working capital. Over the next year the company expects to meet all cash requirements from cash flow. While the company has a significant amount of its receivables invested in a small number of clients, these funds are largely attributable to insurance clients and the insurance company has reserves allocated to pay these accounts. The addition of Encore has resulted in a significant exposure to one customer as a major receivable. Management believes it has appropriately managed the company’s credit risk.

A new bank line of credit has been negotiated to cover the cash requirements to purchase Encore Electronics Inc. Debt repayment will be scheduled over 15 years to be repaid from the operating profits of Encore Electronics Inc. We anticipate being able to repay the debt faster than the agreed amortization schedule.

Capital Resources

The company has a $250,000.00 line of credit available for any emergent capital outlays or other cash flow requirements. As of the end of June, this line of credit has been drawn to $160,000. Capital expenditures planned for the coming year are expected to be covered out of operating cash flow and leveraging existing assets. No material capital expenditures are planned.

Transactions with related parties

During the year the Company had business transactions with corporations controlled by certain directors of the Company. These transactions, which were at market prices, are as follows:

	For the twelve months ended 30 June 2011	For the twelve months ended 30 June 2010
Payment of rent to Altomar Property Management Ltd.	$ 101,216	$ 90,000
Advances from directors, non-interest bearing, unsecured	$ 166,911	$ 166,911
Advances from corporations controlled by directors, non-interest bearing, unsecured	$ 338,516	$ 215,070
	$ 505,427	$ 381,981

Advances from related parties have no fixed terms of repayment and the parties have 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 $4,183 (2010 - $1,945) owing to a director.

Equity Transactions

During the year no stock options were granted to employees and directors of the company.

During the year 275,000 stock options with an exercise price of $0.10 expired.

Off Balance Sheet Transactions

Top drive manufacture: On March 25, 2011 a press release was disseminated regarding the cessation of the Technology Licensing Agreement between Farr Canada, a division of McCoy Corporation (MCB: TSX) and Allan R. Nelson Engineering (1997) Inc. This agreement provided for royalty payments to Allan R. Nelson Engineering (1997) Inc. in relation to the licensing for the manufacture and sale of the top drives based upon designs prepared by Allan R. Nelson Engineering (1997) Inc.

It was our hope that with the economic turn around, sales of the top drive would follow. However, Farr Canada has decided to stop commercial production of the top drives. As a result we have written off our deferred development costs associated with the top drive during the year.

Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, deposits held in trust, customer deposits and advances from related parties.

Fair Value

The Company's carrying value of accounts receivable, bank indebtedness and accounts payable and accrued liabilities, approximate 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 advances have no terms of repayment, are not marketable, and do not have terms and conditions typical of arm's length transactions, the fair value cannot be calculated with any degree of certainty. Therefore, fair value has not been estimated.

The fair value of bank indebtedness is measured under level 1 of the fair value hierarchy. The three levels of the fair value hierarchy are described as follows:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Value based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The Company is exposed to risks of varying degrees of significance from its use of financial instruments which could affect its ability to achieve its strategic objectives for growth and stakeholder returns. The principal risks to which the Company is exposed, and the actions taken to manage them, are described below.

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. 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. Management assesses the need for allowances for potential credit losses by considering the credit risk of specific customers, historic trends, and other information.

Management believes that credit risk is mitigated in the insurance claim work they perform, due to insurance companies being required to sequester funds when a claim is pending. Credit risk is mitigated in other segments of their business by progress billing, limiting work for overdue clients, and occasionally requiring deposits.

Concentration of credit risk arises from exposure to a single customer or to groups of customers having similar characteristics such as industry of geographic area in which the customers operate. The Company is subject to a concentration of credit risk as 26% of its accounts receivable is owed from one customer at June 30, 2011 (10% at June 30, 2010). Concentration of credit risk is mitigated by having concentrations with credit worthy customers.

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 does not enter into derivative financing contracts for speculative purposes. The Company is exposed to interest rate risk primarily through its floating interest rate operating line.

The Company borrows funds at floating interest rates. The bank indebtedness bears interest at rates of 8% and prime plus 1.5%, respectively. For each expected 0.25% increase in rate in the upcoming year, the Company's net earnings would decrease approximately $2,197. This analysis was prepared assuming the amount of the liabilities outstanding at the end of the year was outstanding the whole year. A 25 basis point increase is used when reporting interest rate risk, which represents management's assessment of the possible changes in interest rate. Based on the amount of the operating line at June 30, 2011, fluctuations in the interest rate would not materially affect the operating results of the Company.

Currency Risk

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company is exposed to foreign currency exchange risk on cash, accounts receivable, and accounts payable held in U.S. dollars. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

Based on the monetary assets and liabilities held at year end, a non-exceptional change in the $US - $CAD foreign exchange would not materially impact the Company's net earnings.

Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due, or can only do so at excessive cost. The Company's growth is financed through a combination of cash flows from operations and borrowings under the existing credit facilities. Liquidity risk management serves to maintain a sufficient amount of cash and to ensure the Company has financing sources to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company establishes budgets and cash estimates to ensure it has the necessary funds to fulfill its obligations.

The following monetary liabilities are current in nature, and therefore mature in less than one year:

$ 101,916	Cheques written in excess of bank balance
$ 100,000	Current portion of callable debt
$ 160,000	Bank operating line
$ 452,758	Advances from related parties
$ 404,882	Accounts payable and accrued liabilities
$1,219,556	Total

Long term monetary liabilities consist of $1,391,667 consists of the long term portion of callable debt.

Market risk

The Company is exposed to market risk through its reliance on the oil industry. This has been mitigated to some extent by the addition of Encore, adding a reliance on the power generation 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.

The Company is exposed to fluctuations in commodity prices for natural gas, crude oil and natural gas liquids. Commodity prices are affected by many factors including supply, demand and the Canadian to U.S. dollar exchange rate. The Company had no financial hedges or price commodity contracts in place at year end.

Future Accounting Standards

The Canadian Institute of Chartered Accountants (CICA) has issued new accounting standards which will affect the Company's financial statements in subsequent fiscal years.

Convergence with International Financial Reporting Standards (IFRS)

The Company prepares its financial statements in accordance with Canadian GAAP as defined by Canada’s Accounting Standards Board (AcSB). The AcSB has announced its intention to converge Canadian GAAP with international financial reporting standards (IFRS). Effective January 1, 2011 as a Canadian publicly accountable enterprise, the Company will be required to apply IFRS as the basis for financial reporting for interim and year en financial statements. This change is part of a world wide shift to IFRS intended to facilitate global capital flows and to bring greater clarity and consistency to financial reporting in the global marketplace.

The Company has completed this conversion process.

Consolidated Financial Statements and Non-controlling Interests

The CICA has issued Handbook Sections 1601, “Consolidated Financial Statements”, and 1602, “Non-Controlling Interests” which together supersede Section 1600 “Consolidated Financial Statements” and apply prospectively to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The principal changes are those reflecting changes in the new Section 1582 “Business Combinations" and the recognition of non-controlling interest at fair value in the equity section of the balance sheet. The Company has not yet determined the effect, if any, that the adoption of this new standard will have on its financial statements.

Multiple Deliverable Revenue Arrangements

The Emerging Issues Committee issued EIC-175 in December 2009 which addresses how arrangements involving multiple deliverables are measured and allocated to the separate units of accounting based on their selling prices. This accounting pronouncement requires increased qualitative and quantitative disclosures about revenue arrangements, significant judgments made in application and eliminates the residual method of allocating arrangement consideration. EIC-175 should be applied prospectively to revenue arrangements with multiple deliverables entered into or materially modified for fiscal years beginning on or after January 1, 2011 with early adoption permitted. Management is evaluating the effect of adopting this policy.

Risk and Uncertainty

The following factors among others could cause our actual results to differ materially from those projected in our forward-looking statements:

The effects of fluctuations in interest rates or currency values
The effects of war or terrorist activities
The effects of disease or illness on local, national or international economies
The effects of disruption to public infrastructure
The effects of disruptions to our internal IT infrastructure
The effects of industry or worldwide economic or political conditions
The effects of regulatory or statutory developments
The effects of competition in the geographic or business areas in which we operate
The effects of undetected fraud
The actions of management and staff
Potential liability claims as a result of the work we perform
Credit risk associated with accounts receivable
The effects of technological changes.

Investors and the public should carefully consider these factors, other uncertainties and potential events as well as the inherent uncertainty of forward looking statements when relying on these statements to make decisions with regards to ESTec. Except as required by law, we do not undertake to update any forward looking statements, whether written or verbal that may be made from time to time by the organization, or on its behalf.

Controls and Procedures

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated the effectiveness of the company's disclosure controls and procedures and assessed the design of the company's internal control over financial reporting as of June 30, 2011, pursuant to the requirements of Multilateral Instrument 52-109.

Management has recognized that weakness exists in segregation of duties. The small administrative staff makes it difficult to have adequate segregation of duties. While it is recognized as a weakness, management has no plans to change in the short term. It is believed that the monitoring that is in place is sufficient to control the risk.

A concern has been raised about the Management Bonus structure in Encore. This has been recognized as a potential weakness and management is investigating changes or additional controls to mitigate the weakness.

The accounting staff at Encore does not have the training or expertise to handle public company level accounting. Management is providing additional supervision and training to the staff.

Inventory management at Encore is inadequate. It is not possible to identify obsolete inventory or to properly allocate inventory costs to cost of sales. Management is implementing a new inventory control system that will address both these issues. Management believes that the price paid for the inventory reflects this inadequacy in the inventory controls at the company, and allows for the obsolete inventory.

Minor weaknesses in HR practices, invoice preparation practices and computer data security have been identified by management. During the year, management has implemented full use of their accounting software, preparing invoices through this program, mitigating the risk that existed with previous practices. HR practices have improved in the engineering business but HR record keeping at Encore was inadequate and it will be some time before proper records are created and brought up to date. Computer Data Security has improved over the past year, however additional improvements are in progress.

Management is continuing to review procedures to minimize identified weaknesses as much as possible.

Specific reviews of controls and procedures have been undertaken to identify any changes required by the transition to IFRS.

Other MD&A Requirements

Additional information relating to ESTec Systems and its subsidiaries can be found on SEDAR at www.sedar.com. Press releases announcing activities of the company will be posted on our web site www.estec.com.

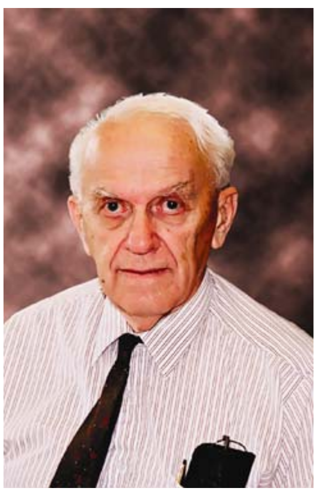
On Behalf of the Board of Directors – October 7, 2011
Anthony B. Nelson
President

Corporate Directory

Directors & Officers

Anthony B. Nelson
Director
President and Chief Executive Officer

H. Margaret Nelson
Director
Chief Financial Officer



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Stock Exchange Listing

The shares of ESTec Systems Corporation are listed on the **Toronto Venture Exchange**
Trading Symbol: **ESE**

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