

ZTEST Electronics Inc.

Unaudited Interim Consolidated Financial Statements

September 30, 2003

ZTEST Electronics Inc.Unaudited Interim Consolidated Balance Sheet
September 30, 2003

	<u>Sept. 30, 2003</u>	<u>June 30, 2003</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,535	\$ 8,226
Accounts receivable (Note 5)	236,491	284,717
Inventories	73,261	70,217
Prepaid expenses and other assets	32,890	30,592
Current portion of amounts receivable (Note 4)	<u>7,290</u>	<u>7,290</u>
	353,467	401,042
Capital assets	500,311	508,418
Investments and advances	<u>4</u>	<u>4</u>
	<u>\$ 853,782</u>	<u>\$ 909,464</u>
Liabilities		
Current liabilities		
Customer deposits	\$ 24,082	\$ 24,835
Accounts payable and accrued liabilities	1,096,119	969,865
Current portion of long-term debt (Note 7)	1,148,150	1,040,051
Current portion of lease obligation (Note 6)	3,200	3,334
Notes payable and other advances (Note 5)	<u>401,012</u>	<u>388,064</u>
	2,672,563	2,426,149
Long-term debt (Note 7)	202,867	325,421
Obligations under capital lease (Note 6)	1,144	1,971
Preferred shares	<u>1,471,908</u>	<u>1,471,908</u>
	<u>4,348,482</u>	<u>4,225,449</u>
Commitments	-	-
Deficiency in assets		
Share Capital (Note 8)	19,534,887	19,534,887
Deficit	<u>(23,029,587)</u>	<u>(22,850,872)</u>
	<u>(3,494,700)</u>	<u>(3,315,985)</u>
	<u>\$ 853,782</u>	<u>\$ 909,464</u>

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

ZTEST Electronics Inc.Unaudited Interim Consolidated Statement of Operations and Deficit
For the Three Month Periods Ended September 30

	<u>2003</u>	<u>2002</u>
Revenue		
Product sales	\$ 477,584	\$ 346,489
Design services	7,235	-
Interest and other	<u>1,762</u>	<u>7,229</u>
	<u>486,581</u>	<u>353,718</u>
Expenses		
Cost of product sales	368,806	293,350
Selling, general and administrative	186,159	223,295
Dividends on preferred shares	26,311	26,311
Interest expense - long term	34,971	27,071
- other	26,608	30,260
Amortization of capital assets	<u>10,260</u>	<u>12,702</u>
	<u>653,115</u>	<u>612,989</u>
Loss before provision for income taxes	(166,534)	(259,271)
Provision for income taxes	<u>-</u>	<u>-</u>
Loss for the period	(166,534)	(259,271)
Deficit, beginning of period	(22,850,872)	(22,262,563)
Dividends on preferred shares	<u>(12,181)</u>	<u>(12,181)</u>
Deficit, end of period	<u>\$ (23,029,587)</u>	<u>\$ (22,534,015)</u>
Net loss per share	<u>\$ (0.0052)</u>	<u>\$ (0.0082)</u>
Weighted average shares outstanding	<u>31,832,210</u>	<u>31,772,210</u>

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

ZTEST Electronics Inc.Unaudited Interim Consolidated Statement of Cash Flows
For the Three Month Periods Ended September 30

	<u>2003</u>	<u>2002</u>
Cash flow from operating activities		
Net loss for the period	\$ (166,534)	\$ (259,271)
Items not involving cash		
Amortization of capital assets	24,059	46,355
Dividends on preferred shares	26,311	26,311
Changes in non-cash working capital items:		
Accounts receivable	48,226	16,194
Inventories	(3,044)	(31,227)
Prepaid expenses and other assets	(2,298)	15,128
Customer deposits	(753)	-
Accounts payable and accrued liabilities	<u>87,762</u>	<u>274,251</u>
	<u>13,729</u>	<u>87,741</u>
Cash flow from investing activities		
Purchase of capital assets	<u>(15,952)</u>	<u>(142,359)</u>
Cash flow from financing activities		
Repayment of capital lease obligation	(961)	(32,285)
Proceeds of long-term debt and notes payable	12,948	132,149
Repayment of long-term debt and notes payable	<u>(14,455)</u>	<u>(21,217)</u>
	<u>(2,468)</u>	<u>79,647</u>
Net (decrease) increase in cash	(4,691)	25,029
Cash, beginning of period	<u>8,226</u>	<u>9,198</u>
Cash, end of period	<u>\$ 3,535</u>	<u>\$ 34,227</u>

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

ZTEST Electronics Inc.

Notes to the Unaudited Interim Consolidated Financial Statements September 30, 2003

NOTE 1 Basis of Presentation

These Unaudited Interim Consolidated Financial Statements have been compiled by management in compliance with BC Form 51-901F. They have been prepared using the same accounting policies and methods as the audited financial statements as at June 30, 2003.

These financial statements include certain disclosures pertaining to the financial position of the company as at September 30, 2003 and the results of operations for the three month period then ended however they do not conform, in all respects, to the disclosure requirements of generally accepted accounting principles for annual financial statements. Accordingly, these unaudited interim consolidated financial statements should only be read in conjunction with the consolidated financial statements as at June 30, 2003.

NOTE 2 Information on Operating Segments

The Company has only one definable operating segment, Electronic Manufacturing and Development, which carries on business manufacturing, selling, designing and developing electronic equipment. Accordingly, there are no additional disclosures to be provided relative to operating segments.

NOTE 3 Related Party Transactions

During the three month period ended September 30, 2003 the Company reported the following revenues and expenses resulting from transactions with related parties:

<u>Description</u>	<u>Related Party</u>	<u>Amount</u>
Interest expense	Nu-Way	\$ 20,987
Interest expense	1114377	\$ 1,541
Interest expense	Directors/Officers	\$ 6,272

NOTE 4 Amounts receivable

	<u>Sept. 30, 2003</u>	<u>June 30, 2003</u>
Demand promissory notes bearing interest at 9.5% per Annum with no fixed maturity dates.	\$ 7,290	\$ 7,290
Less: current portion	<u>7,290</u>	<u>7,290</u>
	<u>\$ -</u>	<u>\$ -</u>

ZTEST Electronics Inc.Notes to the Unaudited Interim Consolidated Financial Statements
September 30, 2003**NOTE 5** Notes Payable

<u>Interest</u>	<u>Security</u>	<u>Terms</u>	<u>Sept. 30, 2003</u>	<u>June 30, 2003</u>
6.0%	Unsecured	On Demand	\$ 16,767	\$ 16,767
8.0%	Unsecured	None	17,500	17,500
0.0%	Unsecured	None	2,000	2,000
33.0%	Accts Receivable	Collection of A/R*	231,215	225,047
8.0%	Unsecured	On Demand*	41,045	48,058
10.0%	Unsecured	Due Aug 31, 2004*	11,073	-
P+2.0%	Unsecured	None*	<u>81,412</u>	<u>78,692</u>
			<u>\$ 401,012</u>	<u>\$ 388,064</u>

* Each of these obligations are payable to a related party.

NOTE 6 Obligations under capital lease

	<u>Sept. 30, 2003</u>	<u>June 30, 2003</u>
Interest at 14.31%, matures Sept. 2003. Blended monthly payments of \$113 are required	\$ -	\$ 223
Interest at 9.8%, matures Jan. 2005. Blended monthly payments of \$289 are required.	<u>4,344</u>	<u>5,082</u>
	4,344	5,305
Less: current portion	<u>3,200</u>	<u>3,334</u>
	<u>\$ 1,144</u>	<u>\$ 1,971</u>

NOTE 7 Long-term Debt

	<u>Sept. 30, 2003</u>	<u>June 30, 2003</u>
Bank loan, interest at Bank of Montreal prime + ½%, secured by a related party guarantee, matures Oct 2003. Monthly payments of \$4,865 including interest are required.	\$ 517	\$ 14,972
Convertible debentures bearing interest at 10.5% and mature Dec. 3, 2003. Monthly interest payments are required. Convertible, in whole or in part, into units of the Company at the rate of one unit for each \$0.11 converted. Each unit consists of one common share and one share purchase warrant which entitles the holder to acquire an additional common share for \$0.11 for a period of two years from the date of conversion. The Company may redeem these debentures, in whole or in part. ⁽¹⁾	599,500	599,500

ZTEST Electronics Inc.Notes to the Unaudited Interim Consolidated Financial Statements
September 30, 2003

NOTE 7 Long-term Debt (Continued)

Convertible debentures bearing interest at 8% and mature Feb 14, 2004. Monthly interest payments are required. Convertible, in whole or in part, into units of the Company at the rate of one unit for each \$0.125 converted. Each unit consists of one common share and one share purchase warrant which entitles the holder to acquire an additional common share for \$0.15 for a period which is the lesser of two years from the date of issuance of the debenture and six months following conversion. The Company may redeem these debentures, in whole or in part. ⁽²⁾	300,000	300,000
Convertible debentures bearing interest at 8% and mature May 21, 2004. Monthly interest payments are required. Convertible, in whole or in part, into units of the Company at the rate of one unit for each \$0.16 converted. Each unit consists of one common share and one share purchase warrant which entitles the holder to acquire an additional common share for \$0.18 for a period which is the lesser of two years from the date of issuance of the debenture and six months following conversion. The Company may redeem these debentures, in whole or in part, any time after Nov 21, 2003.	120,000	120,000
Convertible debentures bearing interest at 8% and mature July 12, 2004. Monthly interest payments are required. Convertible, in whole or in part, into units of the Company at the rate of one unit for each \$0.15 converted. Each unit consists of one common share and one share purchase warrant which entitles the holder to acquire an additional common share for \$0.15 for a period which is the lesser of two years from the date of issuance of the debenture and six months following conversion. The Company may redeem these debentures, in whole or in part, any time after Jan 12, 2004. ⁽³⁾	56,000	56,000
Convertible debentures bearing interest at 8% and mature September 9, 2004. Monthly interest payments are required. Convertible, in whole or in part, into units of the Company at the rate of one unit for each \$0.10 converted. Each unit consists of one common share and one share purchase warrant which entitles the holder to acquire an additional common share for \$0.10 for a period which is the lesser of two years from the date of issuance of the debenture and six months following conversion. The Company may redeem these debentures, in whole or in part, any time after March 9, 2004.	65,000	65,000
Convertible debentures bearing interest at 8% and mature Oct 25, 2004. Monthly interest payments are required. Convertible, in whole or in part, into units of the Company at the rate of one unit for each \$0.10 converted. Each unit consists of one common share and one share purchase warrant which entitles the holder to acquire an additional common share for \$0.10 for a period which is the lesser of two years from the date of issuance of the debenture and six months following conversion. The Company may redeem these debentures, in whole or in part, any time after Apr 25, 2004. ⁽⁴⁾	80,000	80,000

ZTEST Electronics Inc.

Notes to the Unaudited Interim Consolidated Financial Statements September 30, 2003

NOTE 7 Long-term Debt (Continued)

Convertible debenture bears interest at 8% and matures Jan 31, 2005. Monthly interest payments are required. Convertible, in whole or in part, into common shares of the Company at the rate of one common share for each \$0.05 converted. The holder also received 2,000,000 share purchase warrants which entitles them to acquire an additional common share for \$0.10 on or before Jan 31, 2004.	100,000	100,000
Note payable to a company controlled by the spouse of a Director of the Company, unsecured, interest at 8.5%. Blended monthly payments of \$947 are required. ⁽⁵⁾	<u>30,000</u>	<u>30,000</u>
	1,351,017	1,365,472
Less: current portion	<u>1,148,150</u>	<u>1,040,051</u>
	<u>\$ 202,867</u>	<u>\$ 325,421</u>

⁽¹⁾ Includes \$49,500 payable to Officers of the Company and/or their spouses

⁽²⁾ Includes \$42,750 payable to Officers of the Company and/or their spouses

⁽³⁾ Includes \$21,000 payable to Officers of the Company and/or their spouses

⁽⁴⁾ Includes \$45,000 payable to Officers of the Company and/or their spouses

⁽⁵⁾ The note is payable to a company that is controlled by the spouse of one of the Company's Directors.

NOTE 8 Share Capital

(A) Authorized

Unlimited	Common Shares
Unlimited	Non-voting, non-participating Class A Special Shares redeemable by the Company or the holders on a one-for-one basis for common shares of Northern Cross Minerals Inc., whose primary assets are mineral properties.
Unlimited	Preference shares, in one or more series of which the following three series are currently authorized: Series A, redeemable, voting ⁽¹⁾ shares with 8% cumulative dividends payable monthly. These shares can be converted into common shares at a rate of 1 common share for each 1.40625 Series A shares until May 21, 2004 at which time the Company must repurchase all remaining shares. Series C, redeemable, voting ⁽¹⁾ shares with 7% cumulative dividends payable monthly. These shares can be converted into common shares at a rate of 1 common share for each 1.4286 Series C shares until May 1, 2004 and then at a rate of one common share for each 1.7143 Series C shares until May 1, 2007 at which time the Company must repurchase all remaining shares.

ZTEST Electronics Inc.Notes to the Unaudited Interim Consolidated Financial Statements
September 30, 2003**NOTE 8 Share Capital – Continued**

Series D, redeemable, voting⁽¹⁾ shares with 7% cumulative dividends payable monthly. These shares can be converted into common shares at a rate of 1 common share for each 1.40845 Series D shares until June 1, 2004 and then at a rate of one common share for each 1.6432 Series D shares until June 1, 2007 at which time the Company must repurchase all remaining shares.

⁽¹⁾ All shares carry the right to vote at any meeting of common shareholders in the event that the cumulative dividends are at least 12 months in arrears. As at the balance sheet date the dividends on Series A, C and D shares were all at least 12 months in arrears.

(B) Issued

	<u>Number</u>	<u>Value</u>
Common shares - unchanged	31,832,210	19,434,887
Class A Special shares - unchanged	1,193,442	<u>100,000</u>
		<u>\$ 19,534,887</u>

(C) Details of warrants outstanding are as follows:

<u>Number of Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
2,000,000	\$0.10	Jan 31, 2004

During the period ended September 30, 2003 1,078,333 warrants expired without being exercised and no warrants were granted.

(D) Details of options outstanding are as follows:

<u>Number of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
20,000 ⁽¹⁾	\$0.90	Dec 29, 2003
16,000	\$0.85	Apr 14, 2004
36,000	\$4.40	June 30, 2004
150,000 ⁽¹⁾	\$2.95	Nov 22, 2004
60,000	\$0.21	Apr 1, 2005
150,000	\$2.35	June 19, 2005
45,000 ⁽¹⁾	\$2.35	Aug 16, 2005
260,500 ⁽¹⁾	\$0.89	Jan 23, 2006
30,000	\$0.89	Jan 23, 2006
100,000 ⁽¹⁾	\$0.17	Nov 27, 2006
900,000 ⁽¹⁾	\$0.24	Feb 19, 2007
200,000 ⁽¹⁾	\$0.135	Apr 30, 2007
<u>900,000 ⁽¹⁾</u>	<u>\$0.10</u>	<u>Dec 17, 2007</u>
<u>2,867,500</u>		

⁽¹⁾ These options are held by Directors and/or Officers of the Company

During the three month period ended September 30, 2003 a total of 7,500 options expired without being exercised. No additional share purchase options were granted.