ZTEST Electronics Inc.

Unaudited Condensed Interim Consolidated Financial Statements

September 30, 2026

(Stated in Canadian Dollars)

Responsibility for Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the unaudited condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of management. These condensed interim consolidated financial statements are presented on the accrual basis of accounting and accordingly, a precise determination of many assets and liabilities is dependent upon future events. Where necessary, management has made informed judgments and estimates in accounting for these assets and liabilities and for transactions which were not complete at the end of the reporting period. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these unaudited condensed interim consolidated financial statements have been fairly presented.

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors on November 26, 2026. They have not been reviewed by the Company's auditors.

ZTEST Electronics Inc.

Unaudited Condensed Interim Consolidated Statements of Financial Position
(Stated in Canadian Dollars)
September 30, 2026

		Sept. 30 2026		June 30 2026
Assets				
Current assets				
Cash	**$**	**5,844,750**	$	5,464,705
Accounts receivable		**1,072,391**		1,246,074
Inventories *(note 3)*		**1,630,352**		1,202,785
Prepaid expenses		**94,972**		64,848
		8,642,465		7,978,412
Equipment *(note 4)*		**604,884**		637,337
Right-of-use asset *(note 5)*		**968,796**		1,020,673
Investments *(note 6)*		**1**		1
	$	**10,216,146**	$	9,636,423
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities *(note 10)*	**$**	**1,429,260**	$	1,227,414
Government remittances payable		**19,887**		73,347
Customer deposits		**24,711**		19,921
Current portion of lease liability *(note 8)*		**171,735**		166,220
		1,645,593		1,486,902
Lease liability *(note 8)*		**786,434**		831,887
Deferred taxes *(note 12)*		**121,079**		131,272
		2,553,106		2,450,061
Shareholders' Equity				
Share capital *(note 9)*		**25,271,597**		25,166,891
Contributed surplus *(note 9)*		**2,491,002**		2,480,316
Deficit		**(20,099,559)**		(20,460,845)
		7,663,040		7,186,362
	$	**10,216,146**	$	9,636,423

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

Approved by the Board:

Signed: "David Barnett"
Director

Signed: "William R. Johnstone"
Director

Unaudited Condensed Interim Consolidated Statement of Changes in Equity
(Stated in Canadian Dollars)
September 30, 2026

	Share Capital	Warrants	Contributed Surplus	Deficit	Total
Balance, June 30, 2025	$ 25,081,033	$ 421,385	$ 1,962,362	$ (21,658,163)	$ 5,806,617
Stock options granted	-	-	13,267	-	13,267
Warrants exercised	26,657	(13,976)	-	-	12,681
Shares repurchased and cancelled	(53,167)	-	-	34,095	(19,072)
Net income for the period	-	-	-	236,954	236,954
Balance, September 30, 2025	25,054,523	407,409	1,975,629	(21,387,114)	6,050,447
Stock options granted	-	-	156,024	-	156,024
Stock options exercised	25,779	-	(12,279)	-	13,500
Warrants exercised	88,631	(46,467)	-	-	42,164
Warrants expired	-	(360,942)	360,942	-	-
Shares repurchased and cancelled	(2,042)	-	-	972	(1,070)
Net income for the period	-	-	-	925,297	925,297
Balance, June 30, 2026	25,166,891	-	2,480,316	(20,460,845)	7,186,362
Stock options granted	-	-	87,760	-	87,760
Stock options exercised	172,074	-	(77,074)	-	95,000
Shares repurchased and cancelled	(67,368)	-	-	31,407	(35,961)
Net income for the period	-	-	-	329,879	329,879
Balance, September 30, 2026	**$ 25,271,597**	**$ -**	**$ 2,491,002**	**$ (20,099,559)**	**$ 7,663,040**

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

Unaudited Condensed Interim Consolidated Statements of Comprehensive Income
(Stated in Canadian Dollars)
For the three month periods ended September 30

		2026		2025
Product sales	**$**	**2,459,431**	$	1,823,428
Cost of product sales *(note 3)*		**1,410,198**		1,045,734
		1,049,233		777,694
Expenses				
Selling, general and administrative *(note 11)*		**499,995**		478,945
Stock compensation *(notes 9 and 10)*		**87,760**		13,267
Interest expense - long-term debt		**-**		396
Interest expense – lease liability *(note 8)*		**12,122**		906
Interest expense - other		**224**		83
Depreciation of equipment		**1,390**		2,107
Foreign exchange loss		**6,267**		2,005
		607,758		497,709
Income before other income and provision for income taxes		**441,475**		279,985
Other income				
Gain on disposal of assets		**-**		13,274
Interest income		**29,442**		27,265
		29,442		40,539
Income before provision for income taxes		**470,917**		320,524
(Provision for) recovery of income taxes *(note 12)*				
Current		**(151,231)**		(94,044)
Deferred		**10,193**		10,474
		(141,038)		(83,570)
Net income and comprehensive income for the period	**$**	**329,879**	$	236,954
Net income per share:				
Basic	**$**	**0.01**	$	0.01
Fully diluted	**$**	**0.01**	$	0.01
Weighted average shares outstanding:				
Basic		**36,951,375**		36,775,121
Fully diluted		**37,645,202**		37,004,061

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

ZTEST Electronics Inc.

Unaudited Condensed Interim Consolidated Statements of Cash Flows
(Stated in Canadian Dollars)
For the three month periods ended September 30

		2026		2025
Cash flow from operating activities				
Net income for the period	**$**	**329,879**	$	236,954
Items not involving cash				
Depreciation of equipment		**32,453**		40,701
Depreciation of right of use assets		**51,877**		41,444
Accreted lease interest		**12,122**		906
Stock compensation expense		**87,760**		13,267
Provision for income taxes – deferred		**(10,193)**		(10,474)
		503,898		322,798
Changes in non-cash working capital items:				
Accounts receivable		**173,683**		(81,024)
Inventories		**(427,567)**		(354,408)
Prepaid expenses		**(30,124)**		22,525
Accounts payable and accrued liabilities		**201,846**		343,867
Government remittances payable		**(53,460)**		(19,011)
Customer deposits		**4,790**		(1,792)
		373,066		232,955
Cash flow from investing activities		**-**		**-**
Cash flow from financing activities				
Repayment of long-term debt		**-**		(16,634)
Repayment of lease obligation		**(52,060)**		(46,402)
Issuance of common shares		**95,000**		12,681
Normal course issuer bid share repurchases		**(35,961)**		(19,072)
		6,979		(69,427)
Increase in cash and cash equivalents		**380,045**		163,528
Cash and cash equivalents, beginning of period		**5,464,705**		4,104,731
Cash and cash equivalents, end of period	**$**	**5,844,750**	$	4,268,259

Supplemental Disclosure of Cash Flow Information:

During the period the Company had cash flows arising from interest and income taxes paid as follows:

Interest	**$**	**224**	$	523
Income taxes	**$**	**204,691**	$	113,055

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

1. Business of the Company

ZTEST Electronics Inc. ("the Company") amalgamated under the laws of Ontario and carries on business at 523 McNicoll Avenue, Toronto, Ontario developing and assembling printed circuit boards. The Company's shares trade on the Canadian Securities Exchange ("CSE") under the symbol "ZTE".

2. Significant Accounting Policies

Statement of compliance
The Company has prepared these unaudited condensed interim financial statements in accordance with IAS 34, *Interim Financial Reporting*, employing all the same accounting policies and methods of computation as disclosed in the annual financial statements as at June 30, 2026.

The notes to these unaudited condensed interim consolidated financial statements are intended to provide a description of events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since June 30, 2026. Certain disclosures that appear in the annual financial statements have not been reproduced in these unaudited condensed interim consolidated financial statements and, in this regard only, these unaudited condensed interim financial statements do not conform in all respects to the requirements of IFRS for annual consolidated financial statements. Accordingly, these unaudited condensed interim consolidated financial statements should only be read in conjunction with the annual financial statements as at June 30, 2026.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on November 26, 2026.

Basis of presentation
These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis using the accrual basis of accounting, except for cash flow information.

Basis of consolidation
These unaudited condensed interim consolidated financial statements include the accounts of the Company as well as the following subsidiaries' assets and liabilities and the revenues and expenses arising, subsequent to the date of acquisition:

Permatech Electronics Corporation ("PEC")	- 100%	owned
Northern Cross Minerals Inc.	- 66.7%	owned (inactive)

Significant accounting judgments and estimates
The preparation of these unaudited condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates. These unaudited condensed interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the unaudited condensed interim consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant estimates and judgments include, but are not limited to, the recoverability of inventory.

Financial instruments
The Company's financial instruments are comprised of the following:

Financial assets:	*Classification*
Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost

2. Significant Accounting Policies - continued

Financial instruments - continued

Financial liabilities:	*Classification*
Accounts payable and accrued liabilities	Amortized cost
Government remittances payable	Amortized cost
Customer deposits	Amortized cost
Lease liability	Amortized cost
Long-term debt	Amortized cost

Amortized cost – The amount at which a financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit losses.

The effective interest method - The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount on initial recognition.

Impairment of non-financial assets
At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. The Company has assessed the assets of all its operating entities and has determined that there is no impairment of its non-financial assets.

Cash and cash equivalents
Cash equivalents consist of term deposits having a term of 90-days or less, held at the Company's financial institution. They are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Income per share
The Company presents basic and diluted income per share data for its common shares, calculated by dividing the income attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the financial reporting period. Diluted income per share is determined by adjusting the income attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

Stock options and warrants outstanding are excluded from the computation of diluted income per share if their inclusion would increase the income per share, or decrease the loss per share, or if their exercise price exceeds the average market price of the Company's shares for the financial reporting period.

Segment disclosure
The Company has a single location and operating segment accordingly, all revenues are generated in Canada, and all assets are located in Canada.

Accounting standards effective for future periods
IFRS 18, *Presentation and Disclosure in Financial Statements:* issued April 2024 and effective for annual periods beginning on or after January 1, 2027, with early adoption permitted. It supersedes IAS 1, *Presentation of Financial Statements*, and replaces presentation aspects of many existing standards, to set out requirements for the presentation and disclosure of information in general purpose financial statements. The Company intends to adopt IFRS 18 in its financial statements for the annual period beginning on July 1, 2027 and anticipates that its adoption may alter the way certain amounts and information are presented in its consolidated financial statements.

3. Inventories

The carrying value of inventory is comprised of:

	Sept. 30 2026	June 30 2026
Raw materials and supplies [(1)]	**$ 1,581,279**	$ 1,145,010
Work in process	**30,274**	25,783
Finished goods	**18,799**	31,992
	$ 1,630,352	$ 1,202,785

(1) Raw materials and supplies are presented net of provisions for obsolete and/or slow-moving items in the amount of $36,398 (June 2026 - $18,914). Management makes estimates of future demand when establishing appropriate provisions. To the extent that actual inventory losses differ from these estimates both inventories and net income will be affected.

Inventory utilization during the period was as follows:

	Sept. 30 2026	Sept. 30 2025
Raw materials and supplies used	**$ 1,049,575**	$ 722,362
Labour costs	**257,224**	236,938
Depreciation	**31,063**	38,594
Shipping and packaging	**53,183**	33,500
Stencils and tooling	**9,675**	10,015
Repairs and maintenance	**776**	3,094
Net change in finished goods and work in process	**8,702**	1,231
Cost of product sales	**$ 1,410,198**	$ 1,045,734

4. Equipment

	Computer Equipment	Office Equipment	Manufacturing Equipment	Leasehold Improvements	Total
Cost:					
Balance, June 30, 2025	$ 222,218	$ 71,277	$ 3,408,933	$ 84,143	$ 3,786,571
Additions	-	-	-	-	-
Balance, Sept. 30, 2025	222,218	71,277	3,408,933	84,143	3,786,571
Additions	5,020	-	1,359	-	6,379
Disposals	(2,001)	-	-	-	(2,001)
Balance, June 30, 2026	225,237	71,277	3,410,292	84,143	3,790,949
Additions	-	-	-	-	-
Balance, Sept. 30, 2026	**$ 225,237**	**$ 71,277**	**$ 3,410,292**	**$ 84,143**	**$ 3,790,949**
Accumulated Depreciation:					
Balance, June 30, 2025	$ (202,005)	$ (71,006)	$ (2,637,057)	$ (82,986)	$ (2,993,054)
Depreciation	(1,516)	(13)	(38,594)	(578)	(40,701)
Balance, Sept. 30, 2025	(203,521)	(71,019)	(2,675,651)	(83,564)	(3,033,755)
Depreciation	(5,321)	(41)	(115,917)	(579)	(121,858)
Disposals	2,001	-	-	-	2,001
Balance, June 30, 2026	(206,841)	(71,060)	(2,791,568)	(84,143)	(3,153,612)
Depreciation	(1,379)	(10)	(31,064)	-	(32,453)
Balance, Sept. 30, 2026	**$ (208,220)**	**$ (71,070)**	**$ (2,822,632)**	**$ (84,143)**	**$ (3,186,065)**

4. Equipment - continued

Carrying Amounts:					
June 30, 2025	$ 20,213	$ 271	$ 771,876	$ 1,157	$ 793,517
September 30, 2025	$ 18,697	$ 258	$ 733,282	$ 579	$ 752,816
June 30, 2026	$ 18,396	$ 217	$ 618,724	$ -	$ 637,337
September 30, 2026	**$ 17,017**	**$ 207**	**$ 587,660**	**$ -**	**$ 604,884**

5. Right of use asset

The Company occupies its operating facility under a lease that expires March 2031. The right-of-use asset was initially recorded at cost equal to the present value of the remaining lease payments, plus a refundable deposit paid at the inception of the lease. After initial recording, the carrying-value of the right-of-use asset is equal to cost less accumulated depreciation and, if any, impairment losses and remeasurement of the lease liability. Depreciation is calculated on a straight-line basis over the term of the lease and charged as an element of occupancy costs *(note 11)*. There have been no impairment losses and no remeasurement of the lease liability.

Balance, June 30, 2025	$ 159,331
Depreciation recorded as an element of occupancy costs	(41,444)
Balance, September 30, 2025	117,887
Depreciation recorded as an element of occupancy costs	(134,765)
Amount recognized at inception of new lease	1,037,551
Balance, June 30, 2026	1,020,673
Depreciation recorded as an element of occupancy costs	(51,877)
Balance, September 30, 2026	**$ 968,796**

6. Investments

The Company holds a non-controlling interest in Conversance Inc., a private Canadian technology company engaged in the development of its proprietary technology, which has not yet produced any revenues. The timing of such revenues is not currently determinable. The absence of cash flows made it infeasible for the Company to ascertain the value of Conversance Inc. as a going concern in a prior period and a provision for impairment was recognized to reduce the carrying value of the investment to $1. Should future circumstances warrant doing so, this provision may be reversed, but only to the extent that the carrying value of the investment at the time of reversal does not exceed the carrying value that would have resulted had the provision not been recorded.

The shares of Conversance Inc. are subject to a hold period and, unless permitted under securities legislation, the shares may not be traded before the date that is four months and a day after the issuer becomes a reporting issuer in any province or territory.

ZTEST retains its right, provided it holds more than 15%, to maintain its ownership interests by subscribing for the requisite number of Class A common shares of Conversance, at the same price and payment terms applicable to any financing. During the 2024 fiscal year, ZTEST declined the opportunity to participate in a convertible promissory note financing completed by Conversance whereby the creditor has the right to convert all or a portion of the promissory notes into Class A common shares of Conversance, with the conversion rate dependent upon the timing of conversion. Had conversions arisen then the Company's interest would have been reduced however, to the best of the Company's knowledge, no conversions have taken place.

	Sept. 30 2026	June 30 2026
296,250 Class A common shares, representing a 25.29% interest	**$ 1,129,762**	$ 1,129,762
Equity in post-acquisition losses and impairment provisions	**(1,129,761)**	(1,129,761)
	$ 1	$ 1

7. Bank operating loan

The Company has a line of credit, which can be drawn to a maximum of $1,000,000, bears interest at the TD Bank prime lending rate plus 1.5% (June 2026 – prime + 1.5%), is due upon demand, and is secured by a general security agreement covering the assets of PEC. No amount was drawn on this line of credit on September 30, 2026 or June 30, 2026.

8. Lease liability

The Company occupies its operating facility under a lease extension that expires March 2031. A refundable deposit of $35,000 was paid at the inception of the lease. The lease liability was recorded at the present value of the lease payments, discounted using the Company's incremental borrowing rate at the time the lease was extended, of 5.012%. The lease liability is subsequently reduced by lease payments paid and increased by imputed interest as follows:

Balance, June 30, 2025	$ 137,649
Lease payments paid during period	(46,402)
Interest imputed	906
Balance, September 30, 2025	92,153
Lease payments paid during period	(144,865)
Lease liability recognized at inception	1,037,551
Interest imputed	13,268
Balance June 30, 2026	998,107
Lease payments paid during period	(52,060)
Interest imputed	12,122
Balance, September 30, 2026	958,169
Less current portion	(171,735)
	$ 786,434

9. Share Capital

Authorized
Unlimited Common shares
Unlimited Preferred shares in one or more series.

Issued

	Sept. 30 2026	June 30 2026
Common shares	**$ 25,271,597**	$ 25,166,891

Common shares:	Number of Shares [1]	Amount
Balance, June 30, 2025	36,795,321	$ 25,081,033
Warrants exercised	50,724	26,657
Shares repurchased under Normal Course Issuer Bid	(78,000)	(53,167)
Balance, September 30, 2025	36,768,045	25,054,523
Stock options exercised	50,000	25,779
Warrants exercised	168,656	88,631
Shares repurchased under Normal Course Issuer Bid [2]	(3,000)	(2,042)
Balance, June 30, 2026	36,983,701	$ 25,166,891

9. Share Capital - continued

Common shares - continued:	Number of Shares [1]	Amount
Balance, June 30, 2026	36,983,701	$ 25,166,891
Stock options exercised	325,000	172,074
Shares repurchased under Normal Course Issuer Bid [2]	(99,000)	(67,368)
Balance, September 30, 2026	37,209,701	**$ 25,271,597**

[1] Following the 2013 conversion of Class A Special Shares to common shares, 8,246 common shares remain reserved to be issued in the event the remaining Class A shareholders identify themselves to the Company.

[2] The Company has a Normal Course Issuer Bid (NCIB) under which it is permitted to repurchase up to 3,129,311 of its common shares on the open market between April 24, 2026 and April 23, 2027. Up to September 30, 2026 the Company had repurchased 102,000 common shares at an aggregate cost of $37,031 and all shares were cancelled. The Company is not obligated to acquire any common shares and may suspend or discontinue purchases under the NCIB at any time.

Details of warrants outstanding:

	Number of Warrants	Amount
Balance, June 30, 2025	2,589,380	$ 421,385
Warrants exercised	(50,724)	(13,976)
Balance, September 30, 2025	2,538,656	407,409
Warrants exercised	(168,656)	(46,467)
Warrants expired	(2,370,000)	(360,942)
Balance, June 30, 2026 and September 30, 2026	-	**$ -**

No warrants were issued during the period ended September 30, 2026 or the year ended June 30, 2026.

Details of options outstanding:

	Common Shares Under Option	Weighted Average Price per Option	Weighted Average Expiry Date
Balance, June 30, 2026	2,400,000	$ 0.27	May 6, 2029
Stock options granted	1,200,000	$ 0.45	Aug. 24, 2031
Stock options exercised	(325,000)	$ 0.29	Apr. 4, 2027
Stock options expired	(100,000)	$ 0.40	Aug. 15, 2026
Balance, September 30, 2026	3,175,000	$ 0.33	July 7, 2030

The following weighted average assumptions were used to calculate the fair value of stock options granted:

	Sept. 30 2026	June 30 2026
Dividend yield	**Nil**	Nil
Risk free interest rate (%)	**3.29**	3.00 - 3.09
Expected stock volatility (%)	**133.13**	133.67 - 134.98
Expected life (years)	**5**	5

9. Share Capital - continued

The following stock options were outstanding on September 30, 2026:

	Common Shares Under Option	Number of Options Vested		Exercise Price	Expiry Date
Granted September 30, 2022	300,000 [1]	300,000	$	0.100	Sep. 30, 2027
Granted March 28, 2024	250,000 [1]	250,000	$	0.270	Mar. 28, 2029
Granted March 28, 2024	50,000	50,000	$	0.270	Mar. 28, 2029
Granted August 15, 2024	600,000 [1]	600,000	$	0.300	Aug. 15, 2029
Granted December 15, 2025	600,000 [1,2]	300,000	$	0.280	Dec. 15, 2030
Granted December 15, 2025	75,000 [2]	25,000	$	0.280	Dec. 15, 2030
Granted June 22, 2026	100,000 [1,3]	-	$	0.385	June 22, 2031
Granted August 24, 2026	600,000 [1,4]	-	$	0.450	Aug. 24, 2031
Granted August 24, 2026	600,000 [1,5]	-	$	0.450	Aug. 24, 2031

[1] Directors and/or Officers of the Company and its subsidiary hold these options.
[2] The remaining options will vest December 15, 2026, provided the holder remains with the Company until the vesting date.
[3] These options will vest as to 50% on December 22, 2026 with the remainder vesting on June 22, 2027, provided the holder remains with the Company until the vesting date.
[4] These options will vest as to 50% on February 24, 2027 with the remainder vesting on August 24, 2027, provided the holder remains with the Company until the vesting date.
[5] These options will vest as to 100,000 on each of the first three anniversaries of the grant while the remaining 300,000 options will vest immediately upon the Company's share price achieving a 30-day volume weighted average trading price of $0.675. All vesting is dependent upon the CEO continuing to be employed by the Company as of the vesting dates.

Share based payment transactions and contributed surplus
The Company has a stock option plan. The aggregate number of common shares reserved for issuance under this plan cannot exceed 10% of the aggregate number of common shares of the Company that are issued and outstanding. The Company has granted options for the purchase of common shares to employees, directors, officers and a consultant and may also grant stock options to other service providers. The fair values of stock options granted have been determined using the Black-Scholes model and are added to contributed surplus as follows:

		Sept. 30 2026		June 30 2026
Contributed surplus, beginning of period	**$**	**2,480,316**	$	1,962,362
Stock options granted		**87,760**		169,291
Stock options exercised		**(77,074)**		(12,279)
Warrants expired		**-**		360,942
Contributed surplus, end of period	**$**	**2,491,002**	$	2,480,316

[1] The aggregate value ascribed to the stock options is recognized over their respective vesting periods. The amount recognized in the current period pertains to stock options granted December 15, 2025, June 22,2026, and August 24, 2026, with an additional $337,899 expected to be recognized over their remaining vesting terms.

10. Related Party Transactions and Balances

The Company had transactions during the period with key management personnel. All expenses and period end balances with related parties are at exchange amounts established and agreed to by the related parties. All transactions with related parties are in the normal course of operations and have been carried out on the same terms as those accorded to unrelated parties.

10. Related Party Transactions and Balances - continued

Description		Sept. 30 2026		Sept. 30 2025
Employee and consultant compensation	**$**	**146,046**	$	119,142
Professional fees		**44,040**		23,707
	$	**190,086**	$	142,849
Stock-based compensation	**$**	**84,758**	$	11,670

On September 30, 2026 there was a balance of $209,959 (June 30, 2026 - $225,346) included in accounts payable and accrued liabilities that was payable to these related parties.

11. Selling, general and administrative expenses

Selling, general and administrative expenses are comprised of the following amounts:

		Sept. 30 2026		Sept. 30 2025
Employee and consultant compensation *(note 10)*	**$**	**299,642**	$	309,868
Occupancy costs *(note 5)*		**95,807**		85,237
Professional fees *(note 10)*		**63,368**		40,770
Shareholder services		**11,710**		13,693
Travel and promotional activities		**9,798**		9,280
Insurance		**10,152**		10,284
Office and general expenses		**9,518**		9,813
	$	**499,995**	$	478,945

12. Income Taxes

Current Income Tax
A reconciliation of combined federal and provincial corporate income taxes at the Company's effective tax rate of 26.50% (2025 – 26.50%) is as follows:

		Sept. 30 2026		Sept. 30 2025
Income before provision for income taxes	**$**	**470,917**	$	320,524
Expected income tax	$	**124,793**	$	84,938
Amounts not deductible for income tax purposes		**26,445**		2,442
Temporary timing differences		**(7)**		6,664
Income tax expense - current	**$**	**151,231**	$	94,044

Deferred Tax
Deferred taxes are provided because of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. The following table summarizes the components of deferred tax:

		Sept. 30 2026		June 30 2026
Deferred tax assets: Inventory	$	**9,645**	$	5,012
Deferred tax liabilities: Equipment		**130,724**		136,284
Net deferred tax liabilities	**$**	**121,079**	$	131,272

12. Income Taxes - continued

Unrecognized Deferred Tax Assets
Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

		Sept. 30 2026		June 30 2026
Share issuance costs	**$**	**9,498**	$	10,854
Equipment		**3,870**		3,868
Resource related expenditures		**88,981**		88,981
Scientific research and experimental development		**278,414**		278,414
Non-capital loss carry-forwards		**468,852**		477,697
Net capital loss carry-forwards		**4,132,142**		4,132,142
Income tax expense - deferred		**4,981,757**		4,991,956
Unrecognized deferred tax assets		**(4,981,757)**		(4,991,956)
Net deferred tax assets	**$**	**-**	$	-

Share issue costs expire in 2028, and non-capital loss carry-forwards expire from 2036 to 2043. The remaining deductible temporary differences may be carried forward indefinitely, but net capital loss carry-forwards can only be used to reduce capital gains. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

13. Capital disclosures

The Company's objective when managing capital is to ensure its ability to meet operating commitments as they become due and to provide return for shareholders. This is achieved by continuously monitoring actual and expected cash flows and initiating adjustments to capital as necessary. There are no externally imposed capital requirements.

		Sept. 30 2026		June 30 2026
Share Capital	**$**	**25,271,597**	$	25,166,891
Contributed surplus		**2,491,002**		2,480,316
Deficit		**(20,099,559)**		(20,460,845)
Net capital under management	**$**	**7,663,040**	$	7,186,362

14. Financial risk factors

The Company is exposed in varying degrees to the following financial instrument related risks:

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its accounts receivable. In an effort to mitigate this risk, management actively manages and monitors its receivables and obtains pre-payments where warranted. It has been determined that no allowance is required, as all amounts outstanding are considered collectible. The Company incurred no bad debts during the periods ended September 30, 2026 or September 30, 2025**.**

14. Financial risk factors - continued

Concentration of credit risk

Concentration of credit risk arises when one or more customers, defined as a major customer, individually account for 10% or more of the Company's revenues during a reporting period. During the current period, the Company had four major customers which represented 15%, 14%, 12% and 11% of revenues (Sept. 30, 2025 - three customers, 19%, 10%, and 10% of revenues). Amounts due from these customers represented approximately 55% of accounts receivable on September 30, 2026 (Sept. 30, 2025 - 35%). The loss of a major customer, or significant curtailment of purchases by such a customer, could have a material adverse effect on the Company's results of operations and financial condition. The Company monitors the relationship with all customers closely and ensures that every customer is subject to the same risk management criteria.

Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. On September 30, 2026 the Company had current financial assets of $6,917,141 (June 30, 2026 - $6,710,779) available to settle current financial liabilities of $1,645,593 (June 30, 2026 - $1,486,902). The Company manages its liquidity risk through the management of its capital *(note 13)*, which incorporates the continuous monitoring of actual and projected cash flows to ensure that it has sufficient liquidity to meet its operating commitments without incurring unacceptable losses or risking damage to the Company's reputation.

Market risks

The Company is exposed to interest rate risk due to a bank operating loan that has a floating interest rate as well as currency risk related to accounts receivable, accounts payable, and nominal amounts of cash, prepaid expenses, and customer deposits denominated in US dollars. Market risks give rise to the potential for future cash flows to fluctuate because of changes in interest rates or foreign exchange rates. Market risks are closely monitored, and attempts are made to match foreign cash inflows and outflows. During the current fiscal period, the Company has reported a foreign exchange loss of $6,267 (Sept. 30, 2025 – loss of $2,005).

Sensitivity to market risks

On September 30, 2026, the Company had:

- A bank operating loan of which $Nil was drawn (June 30, 2026 - $Nil) bears interest predicated upon the TD Bank prime lending rate. A change of 1% in that prime lending rate would result in no impact on cash flows over the next 12 months, based on the current loan balance.
- US$14,065 (June 30, 2026 – US$80,401) included in accounts receivable. A 5% increase in the value of the Canadian dollar relative to the US dollar would result in a reduction of $703 in future cash inflow.
- US$245,233 (June 30, 2026 –US$130,630) included in accounts payable. A 5% decrease in the value of the Canadian dollar relative to the US dollar would result in an increase of $12,262 in future cash outflow.

Based upon observations of recent market trends management believes that each of these outcomes is possible.