General

The following managementôs discussion and analysis (ñMD&Aò) of the financial condition and results of operations of ZTEST Electronics Inc. (ñZTESTò or the ñCompanyò) constitutes managementôs review of the factors that affected the Companyôs interim consolidated financial and operating performance for the three months ended September 30, 2024. The MD&A was prepared as of November 22, 2024, and was approved by the Board of Directors on November 22 2024. It should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the three months ended September 30, 2024, and the audited consolidated financial statements for the year ended June 30, 2024, including the notes thereto. Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars.

Additional information about the Company can be found at www.sedarplus.com.

The Company

ZTEST is located at 523 McNicoll Avenue, Toronto, Ontario. Through its wholly owned subsidiary, Permatech Electronics Corporation (ñPECò), the Company operates a single business segment developing and assembling printed circuit boards and other electronic equipment. The Companyôs shares trade on the Canadian Securities Exchange under the symbol "ZTE".

The Company held its annual general meeting on July 11, 2024, resulting in the re-election of four incumbent directors, while K. Michael Guerreiro resigned. The inaugural meeting of the Board was held immediately following the annual general meeting, during which the Officers of the Company were reappointed, and the Audit Committee was re-formed. On July 17, 2024, David Barnett was appointed to fill the vacancy on the Board. On August 14, 2024, Derrick Strickland resigned from the Board and Audit Committee for personal reasons and David Barnett was appointed to the Audit Committee to fill the vacancy. The Companyôs management is currently as follows:

Name	Position(s)
Steve Smith	Chairman, President & Chief Executive Officer
William R. Johnstone, LLB (1*)	Director & Corporate Secretary
Dean Tyliakos (1, 2)	Director (Independent)
David Barnett (1)	Director (Independent)
Michael D. Kindy, CPA (2)	VP Finance & Chief Financial Officer
Suren Jeyanayagam (2)	President of PEC

* Acts as Committee Chair
(1) Member of the Audit Committee
(2) Director of Permatech Electronics Inc.

Corporate Performance

Fiscal 2025 has gotten off to a good start with 7% revenue growth, enhanced profitability, and improved cash flow from operations in comparison to the same period one year earlier. Although revenues for the current quarter did not exceed revenues for the immediately preceding quarter, Q1 2025 was the 11th consecutive quarter for which this there has been year over year improvement.

The 7% growth in total revenues translated into an 88.5% improvement in net income and an increase of more than 61% in EBITDA between the two periods. On a per share basis, net income rose 50% while EBITDA rose more than 22%. Net income contributes to capital under management and that rose by $358,046, or almost 8%. This growth exceeds the net income of $324,120 as total capital is unaffected by compensation expense related to stock options and the $15,000 in proceeds received upon the exercise of stock options served to offset most of the $16,084 reduction in long-term debt.

Corporate Performance - continued

The Company generated $442,259 in cash from operations during the period, an increase of more than 76% in comparison to the quarter ended September 30, 2023. This enabled the Company to add a total of $483,748 to its cash reserves, even with payment during the period of $414,534 towards income taxes for the 2024 and 2025 taxation years. This increase in cash reserves contributed significantly to an increase of $392,710 in working capital and helped to increase the spread between current financial assets and current financial liabilities by $292,705.

The Company is currently well funded, with strong liquidity and low leverage, and is investigating strategic opportunities to invest capital to enhance future growth. While no such investment is imminent, management believes that that enhancing market share will help to counteract persisting uncertainties in the printed circuit board market and will position the Company to capitalize, yet again, when those market uncertainties wane.

The following data may provide some additional insights relative to the Companyὸs operating performance and financial position:

	For the fiscal years ended:		
	June 2024	June 2023	June 2022
Total Revenues	9,756,044	5,702,239	4,415,275
Net income (loss) for the year	1,753,269	165,274	(266,878)
Per share - basic	0.058	0.006	(0.010)
Total assets	7,007,632	3,941,742	3,081,924
Total long-term financial liabilities	359,173	518,717	729,032
Total liabilities	2,510,914	2,834,331	2,198,767

	For the fiscal quarters ended:			
	Sept. 2024	June 2024	Mar. 2024	Dec. 2023
Total Revenues	2,019,507	2,791,359	2,625,282	2,459,917
Net income (loss) for the period	324,120	545,618	531,438	504,329
Per share - basic	0.009	0.016	0.017	0.018
Total assets	7,004,461	7,007,632	5,646,648	4,418,818
Total long-term financial liabilities	268,346	359,173	292,168	360,027
Total liabilities	2,133,613	2,510,914	2,888,145	2,277,704

	For the fiscal quarters ended:			
	Sept. 2023	June 2023	Mar. 2023	Dec. 2022
Total Revenues	1,879,486	1,797,424	1,594,507	1,141,352
Net income (loss) for the period	171,884	172,983	191,154	(112,126)
Per share - basic	0.006	0.006	0.007	(0.004)
Total assets	4,504,461	3,941,742	4,000,133	3,206,695
Total long-term financial liabilities	456,015	518,717	556,678	614,619
Total liabilities	3,225,166	2,834,331	3,088,834	2,486,550

No cash dividends were declared or paid during any of the periods noted above.

Earnings before interest, taxes, depreciation, and amortization (EBITDA), and EBITDA per share, are non-IFRS financial measures. The following non-IFRS financial measures are presented as management believes it may provide stakeholders with additional information. These non-IFRS financial measures may be calculated differently from, and therefor may not be comparable to, similarly titled measures used by other companies. These non-IFRS financial measures should not be considered in isolation as a substitute for, or as superior to, financial measures calculated in accordance with IFRS.

Corporate Performance - continued

	For the three month periods ended: Sept. 2024	Sept. 2023
Net income for the period	324,120	171,884
Income tax provision	101,649	80,165
Interest expense ï cash based	1,030	3,557
Interest expense ï lease liability	2,419	3,858
Depreciation of equipment	47,964	20,587
Depreciation of right of use asset	41,443	41,444
EBITDA	518,625	321,495
EBITDA per share - basic	0.014	0.012

Results of Operations

Revenues during the first quarter of 2025 were up more than 7% year-over-year, marking the eleventh consecutive quarter for which there has been year-over-year improvement. Each and every period, there are variations in product mix between turnkey and non-turnkey work and there are variations in the labour-materials mix within the turnkey work completed. These factors are entirely dependent upon customer demand and the specific printed circuit boards completed during the period. The first quarter of 2025 was a period with higher than average emphasis on labour and lower than average emphasis on materials. This mix tends to result in lower periodic revenues than would have been achieved had both labour and materials trended towards the respective averages.

While revenues are a key focal point, another is the direct costs incurred in the generation of those revenues and the resulting gross margin achieved. The gross margin for the first quarter of 2025 was $921,444, or nearly 46% of revenues, representing an increase of almost 42% over Q1 2024 when margins were $649,880, or just under 35% of revenues. The different elements of cost of product sales for the periods ended September 30, and the changes realized, were as follows:

Three month periods ended September 30	2024	2023	Change
Raw materials and supplies consumed	$ 742,696	$ 940,832	$ (198,136)
Labour costs incurred	248,452	270,417	(21,965)
Depreciation	45,388	19,586	25,802
Shipping costs	23,704	23,522	182
Stencils and tooling	8,550	17,791	(9,241)
Other costs	8,441	10,063	(1,622)
Net change in finished goods and work in process	20,832	(52,605)	73,437
Total cost of product sales	$ 1,098,603	$ 1,229,606	$ (131,543)

The cost of raw materials and supplies consumed declined by 21% in comparison to the first quarter of 2024. This is mostly due to a shift in the labour-materials mix for turnkey work completed in the period. A comparison of revenues from Q1 2025 and Q1 2024 revealed that although material costs declined 21%, aggregate revenues from turnkey work were lower in the current period by less than 6%. These results demonstrate that the average labour to material mix for this period was more heavily weighted on labour, or less weighted on materials, than it had been in the first quarter of 2024. We have advised previously that the labour-materials mix for each individual circuit board we assemble is unique and this result is further evidence of this. It should be noted that, had the labour-materials mix remained more consistent with norms then material costs for the period would have been higher but so too would turnkey revenues, likely more than offsetting the 6% decline.

Results of Operations - continued

Labour costs incurred declined more than 8%, ending the streak of seven consecutive quarters for which quarterly costs had exceeded the costs incurred one year earlier. This decline arose even though average pay rates were almost 5% higher in Q1 2025 versus Q1 2024. The Company has always worked with its personnel to match labour supply with labour demand. In Q1 2024 labour demand was quite high, not only to produce the product shipped in the period but also adding to finished goods and work in process for product to be shipped in subsequent periods. Similar demand persisted through much of fiscal 2024 leading personnel to welcome a slightly lighter workload during the recent summer months and ready to respond when demand increases again. The Company has not reduced the size of its workforce and has no plans to do so.

The net change in finished goods and work in process is a measure of the change in labour costs included in inventory. Although this inventory figure includes an element of overhead it is still indicative of the net labour costs included in cost of product sales when it is combined with labour costs incurred. The aggregate labour costs for the recent quarter equated to $269,284 as compared to $217,812 the year prior. This increase of 23.6% is entirely within expectations given the surge in non-turnkey work as well as a heavier weighting towards labour in the turnkey work completed in the period.

Depreciation costs have increased, in line with expectations. This is the impact of the installation and activation of new production equipment during that final quarter of the 2024 fiscal year which always translates into higher periodic depreciation charges over the first two fiscal years of its useful life. This means that costs will be greatest in fiscal 2025 after which they will begin to decline, at least until the next significant acquisition.

Other costs include repairs and maintenance, stencils and tooling, packaging, and freight costs net of any amounts recovered. Each of these costs is incurred on an as-warranted basis and are closely monitored. Each has risen in the current period but remain within the Companyôs expectations.

Selling, general and administrative expenses, and the changes realized, were as follows:

Three month periods ended September 30	2024	2023	Change
Employee and consultant compensation	$ 316,892	$ 261,187	$ 55,705
Occupancy costs	82,602	84,232	(1,630)
Professional fees	41,451	20,512	20,939
Shareholder services	20,624	4,518	16,106
Advertising and promotion	10,313	-	10,313
Insurance	9,774	9,042	732
Other costs	8,384	10,428	(2,044)
Total selling, general and administrative	$ 490,040	$ 389,919	$ 100,121

Employee and consultant compensation costs include salaries, benefits, consulting fees, and directorsô fees. Salaries and benefits have increased while consulting fees and directorsô fees each declined. Effective July 1, 2024 the Companyôs CEO and CFO converted from providing services on a consulting basis to employment, contributing to a rise in salaries and benefits as well as the decline in consulting fees. Salaries and benefits also rose due to annual increases, payroll taxes associated with these new salaries, payroll taxes applicable to stock option exercises, and the increase in profitability resulted in higher provision for a performance bonus predicated on the net income before taxes for Permatech. Directorsô fees declined due to having one fewer director through most of the current period.

The Companyôs current facilities lease took effect April 1, 2021 and resulted in the recognition, and amortization, of a right of use asset. This asset is subject to amortization charges which remain consistent over the term of the lease and represent a significant element of occupancy costs for each of the periods presented. Minor fluctuations result from variable demand and rates applicable for utilities and variances in common area maintenance charges. It is anticipated that occupancy costs will remain relatively comparable from period to period until the current lease expires in March 2026.

Results of Operations - continued

Professional fees are comprised of fees for legal services, costs related to the annual financial statement audit, and fees for reporting required by the Companyôs financial institution and the filing of annual income tax returns. After having been relatively negligible during the first quarter of 2024, legal fees were significantly higher in the current period due to the preparation for and holding of a shareholdersô meeting and general business matters pertaining to corporate governance. Audit fees rose approximately 14% year-over-year, reflecting a general market increase in this fee type. Fees related to reporting to the bank and filing annual tax returns remained consistent.

Shareholder services increased substantially in the current quarter due to the shareholdersô meeting held July 11, 2024 as well as incremental costs arsing from having issued more news releases in the first quarter of 2025 than were issued one year prior.

Advertising and promotion costs arose in the current year due to enhanced market activity. The Company attended an investor conference in Vancouver, British Columbia during the first quarter of 2025 while there were no similar costs incurred in Q1 2024. The Company attended another investor conference in Markham, Ontario in October 2024 but has no immediate plans to attend any additional conferences.

Insurance costs reflect minor premium fluctuation related to the renewal of business and liability insurance policies. There has been no alteration in the nature of any insurance coverages that Company maintains.

Other costs are closely monitored, are within management expectations, and are consistent from period to period.

The Companyôs cost of borrowing, and the changes realized, were as follows:

Three month periods ended September 30		2024		2023		Change
Interest expense ï long term	$	954	$	1,495	$	(541)
Interest expense ï other		76		2,062		(1,986)
Interest expense ï lease liability		2,419		3,858		(1,439)
Total financing expenses	$	3,449	$	7,415	$	(3,966)

The Company initiated term financing in April 2021 in relation to the acquisition of new equipment and has been making all regular monthly payments. The reduction in interest costs is reflective of the declining balance of the loan. The interest rate on this loan is fixed at 3.386% so related interest costs will continue to decline until the loan reaches maturity April 2026.

Interest expense ï other represents interest arising from the use of the Companyôs operating line as well as miscellaneous interest charges incurred. There has been no use of the Companyôs operating line during the current period resulting in lower expense.

The Companyôs lease extension for its operating facility commenced April 1, 2021 and resulted in the recognition and amortization of a right-of-use asset and the recognition of a lease liability. That lease liability gives rise to imputed interest costs, based on the discount rate, over the term of the lease. The imputed interest costs will continue to decline until the lease liability expires March 31, 2026.

Liquidity

On September 30, 2024, the Company had working capital of $3,985,530 (June 30, 2024 ï $3,592,820) and current financial assets of $4,452,265 (June 30, 2024 ï $4,466,034) available to settle current financial liabilities of $1,845,267 (June 30, 2024 ï $2,151,741).

The Company also has access to a $1,000,000 bank operating line, of which $Nil (June 30, 2024 ï $Nil) had been drawn as of September 30, 2024.

<u>Liquidity -continued</u>

In addition to satisfying the cost of operations the Company must also address the settlement of the following amounts at September 30, 2024:

	Due by Sept. 2025	Due by Sept. 2026	Due after Sept. 2026	Total Due
Term loan	$ 65,742	$ 39,457	$ -	$ 105,199
Lease liability	179,698	92,153	-	271,851
	$ 245,440	$ 131,610	$ -	$ 377,050

<u>Capital Resources</u>

The Company has a $1,000,000 commercial line of credit from which $Nil (June 2024 - $Nil) was drawn on September 30, 2024. The loan bears interest at the TD Bank prime lending rate plus 2.0%, is due upon demand, and is secured by a general security agreement covering the assets of PEC.

The Company has a term loan, the proceeds of which were used to purchase equipment. The loan was funded April 2021 in the amount of $313,748 and $105,199 remains payable on September 30, 2024. The loan bears interest at 3.386%, requires monthly payments of $5,691 blended as to principal and interest, and will mature April 2026.

The following transactions involving the Companyôs securities have occurred since June 30, 2024:

- 150,000 stock options were exercised for proceeds of $15,000 during the period ended September 30, 2024;
- The Company granted 800,000 stock options to directors and officers during the period ended September 30, 2024. These options will vest as to 50% on February 15, 2025 and 50% on August 15, 2025 and entitle the holder to acquire a common share at $0.30 until August 15, 2029;
- 100,000 stock options were exercised for proceeds of $10,000 after September 30, 2024.

<u>Related Party Transactions</u>

The Company had transactions during the periods with key management personnel. During the current period, these included salaries paid to Steve Smith (President and CEO) and Mike Kindy (CFO), salaries and benefits paid to Suren Jeyanayagam (President of PEC), accounting fees paid to Michael D. Kindy (CFO), Directorsô fees paid to Directors of the Company and its subsidiary, legal fees paid to a legal firm in which William R. Johnstone (Director and Corporate Secretary) is a partner, and share-based payments related to key management personnel. During the comparative period Steve Smith and Mike Kindy received consulting fees rather than salaries. Compensation rates are agreed to by the related parties and are predicated upon prevailing market rates. The following expenses, involving these related parties, have arisen during the reporting periods:

Three month periods ended September 30	2024	2023
Salaries and benefits (1)	$ 131,366	$ 49,133
Consulting fees (1)	-	36,000
Directorsô fees (1)	10,750	15,000
Legal fees (2)	21,043	2,386
Accounting fees (2)	6,000	5,500
Cash based expenditures	$ 108,019	$ 108,019
Share-based payments	$ 35,010	$ -

(1) Reported in the consolidated financial statements as an element of employee and consultant compensation.
(2) Reported in the consolidated financial statements as an element of professional fees.

Related Party Transactions - continued

The following balances due to related parties are reported as an element of accounts payable and accrued liabilities as at September 30 of each year:

		2024		2023
Consulting fees and out-of-pocket expenses payable	$	276,544	$	641,055
Directorsô fees payable	$	3,938	$	162,160
Salaries and benefits payable	$	136,592	$	38,468
Legal fees payable	$	14,220	$	35,999
Accounting fees payable	$	6,000	$	5,500

The following stock options have been issued to Directors and/or Officers of the Company and its subsidiary and were outstanding on September 30, 2024:

Description	Expiry Date	Number of Common Shares
Stock options @ $0.10 per share	Sep. 30, 2027	600,000
Stock options @ $0.27 per share	Mar. 28, 2029	250,000
Stock options @ $0.30 per share (1)	Aug. 15, 2029	800,000

(2) These stock options will vest as to 50% on February 15, 2025 and 50% on August 15, 2025.

Convertible Instruments and Other Securities

The Company has the following securities issued and outstanding:

Shares issued	Quantity		Amount
Common shares, June 30, 2024	36,545,821	$	25,186,285
Stock options exercised	150,000		21,939
Common shares, September 30, 2024	36,695,821		25,208,224
Stock options exercised	100,000		14,626
Common shares at the date of this document	36,795,821	$	25,222,850

In addition to the shares issued and outstanding, the Company has issued stock options as incentives to various parties. The following list itemizes the common shares that have been reserved to satisfy the exercise of warrants and options:

Common shares reserved	Expiry Date	Number of Common Shares
To be issued for Class A shares (1)		8,246
Warrants @ $0.25 per share	Nov. 2025	219,380
Warrants @ $0.30 per share	Nov. 2025	2,520,000
Stock options @ $0.10 per share	Jan. 2025	200,000
Stock options @ $0.10 per share	Sep. 2027	400,000
Stock options @ $0.27 per share	Mar. 2029	350,000
Stock options @ $0.30 per share	Aug. 2029	800,000
Common shares reserved, September 30, 2024		4,497,626
Stock options expired		(100,000)
Common shares reserved, at the date of this document		4,397,626

(1) Following the 2013 conversion of Class A Special Shares to common shares, 8,246 common shares remain reserved to be issued if, and only if, the remaining Class A shareholders identify themselves to the Company.

Convertible Instruments and Other Securities - continued

Fully diluted number of shares	Quantity
Shares issued to September 30, 2024	36,695,821
Shares reserved on September 30, 2024	4,497,626
Fully diluted number of shares, September 30, 2024	41,193,447
Shares issued after September 30, 2024	100,000
Changes to shares reserved after September 30, 2024	(100,000)
Fully diluted number of shares, at the date of this document	41,193,447

Additional disclosures relative to warrants are as follows:

No warrants were issued during the periods ended September 30, 2024 or September 30, 2023 however during the year ended June 30, 2024, in connection with the private placement, the Company issued 2,520,000 share purchase warrants at $0.30 and 219,380 broker warrants at $0.25 expiring November 8, 2025. The following weighted average assumptions were used to calculate the fair value of the warrants and broker warrants issued:

	Sept. 30 2024	June 30 2024
Dividend yield	None granted	Nil
Risk free interest rate (%)	None granted	4.32
Expected stock volatility (%)	None granted	196.02
Expected life (years)	None granted	1.5

Transactions involving warrants are summarized as follows:

	Number of Warrants	Amount
Balance, June 30, 2024, Sept. 30, 2024, and at the date of this document	2,739,380	**$ 444,229**

	Number of Warrants	Weighted Average Price per Warrant	Weighted Average Expiry Date
Balance, June 30, 2024, Sept. 30, 2024, and at the date of this document	2,739,380	$ 0.30	Nov. 8, 2025

Additional disclosures relative to stock options are as follows:

During the period ended September 30, 2024 the Company granted 800,000 stock options, entitling the holders to exercise at a price of $0.30 per share until August 15, 2029. These options will vest as to 50% on February 15, 2025 and 50% on August 15, 2025. No stock options were granted during the period ended September 30, 2023 however later during the year ended June 30, 2024 the Company granted 350,000 stock options which vested immediately, entitling the holders to exercise at a price of $0.27 per share until March 28, 2029. The following weighted average assumptions were used to calculate the fair value of the stock options granted during the year:

	Sept. 30 2024	June 30 2024
Dividend yield	Nil	Nil
Risk free interest rate (%)	3.414	3.243
Expected stock volatility (%)	147.76	135.92
Expected life (years)	5	5

Convertible Instruments and Other Securities - continued

	Common Shares Under Option		Weighted Average Price/Option	Weighted Average Expiry Date
Balance, June 30, 2024	1,100,000	$	0.15	Mar. 21, 2028
Stock options altered [(1)]	(200,000)	$	0.10	Sept. 30, 2027
Stock options altered [(1)]	200,000	$	0.10	Jan. 7, 2025
Stock options exercised	(150,000)	$	0.10	Sept. 30, 2027
Stock options granted	800,000	$	0.30	Aug. 15, 2029
Balance, September 30, 2024	1,750,000	$	0.23	Aug. 3, 2028
Stock options exercised	(100,000)	$	0.10	Sept. 30, 2027
Balance, at the date of this document	1,650,000	$	0.23	Aug. 22, 2028

(1) In accordance with the terms of the stock option agreement, the expiry date of these options was adjusted to be 180 days after the date the holder resigned as a director of the Company.

The following stock options are outstanding at the date of this document:

	Common Shares Under Option	Number of Options Vested		Exercise Price	Expiry Date
Granted September 30, 2023	200,000	200,000	$	0.10	Jan. 7, 2025
Granted September 30, 2023	300,000 [(1)]	300,000	$	0.10	Sep. 30, 2027
Granted March 28, 2024	250,000 [(1)]	250,000	$	0.27	Mar. 28, 2029
Granted March 28, 2024	100,000	100,000	$	0.27	Mar. 28, 2029
Granted August 15, 2024	800,000 [(1)]	-	$	0.30	Aug. 15, 2029

(1) Directors and/or Officers of the Company and its subsidiary hold these options.

The Company has no ability to cause these options to be exercised.

Financial instruments

The Companyøs financial instruments are comprised of the following:

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

Financial liabilities:	*Classification*
Bank operating loan	Amortized cost
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 ï 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. Where such an indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. The recoverable amount is the higher of an assetõs fair value less cost to sell or its value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an armõs length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the income for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in income for the period.

Impairment of Investments

Non-controlling interests, which are not financial instruments, and are less than a 20% ownership interest, are considered impaired when the carrying amount exceeds the recoverable amount. Non-controlling interests, which are not financial instruments, and are equal to or exceeding a 20% ownership interest (an equity instrument) is considered impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occur after the initial recognition of the asset (a ñloss eventò) and that loss event, or events, has an impact on the estimated future cash flows of the non-controlling interest that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognized.

Some items that may be taken into consideration in determining whether a loss event has occurred include significant financial difficulty of the investee, a breach of contract such as a default or delinquency in payments by the investee, it becomes probable that the investee will enter bankruptcy or other financial reorganization, or significant changes having an adverse effect that have taken place in the technological, market, economic or legal environment in which the investee operates, and such changes indicate that the cost of the equity instrument may not be recovered.

During the period there were no loss events, nor any events that would cause a reversal, in whole or in part, of the impairment provision recognized during prior financial periods.

Risk Factors

Events seemingly unrelated to the Company, or to its industry, may adversely affect its finances or operations in ways that are hard to predict or defend against. For example, credit contraction in financial markets may hamper the Companyõs ability to access credit when needed or rapid changes in foreign exchange rates may adversely affect its financial results. Finally, a reduction in credit, combined with reduced economic activity, may adversely affect businesses and industries that constitute a significant portion of the Companyõs customer base. As a result, these customers may need to reduce their purchases, or the Company may experience greater difficulty in collecting amounts due from them. Any of these events, or others caused by uncertainty in world financial markets, may have a material adverse effect on the Companyõs business, operating results, and financial condition.

In addition to the foregoing, the Company is exposed to credit risk, concentration of credit risk, liquidity risk, and market risks. The Companyõs primary risk management objective is to protect earnings and cash flow and, ultimately, shareholder value. Risk management strategies, as discussed below, are designed and implemented to ensure that the Companyõs risks and the related exposure are consistent with its business objectives and risk tolerance. There have been no changes to the risk management strategies during the current period.

Risk Factors - continued

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 Companyôs 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, 2024 or September 30, 2023**.**

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 Companyôs revenues during a reporting period. During the current period, the Company had 3 major customers which represented 19%, 10%, and 10% of revenues (Sept. 30, 2023 - 3 customers, 23%, 19%, and 10% of revenues). Amounts due from these customers represented approximately 45% of accounts receivable on September 30, 2024 (Sept. 30, 2023 - 64%). 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, 2024 the Company had current financial assets of $4,452,265 (June 30, 2024 - $4,466,034) available to settle current financial liabilities of $1,845,267 (June 30, 2024 - $2,151,741). The Company manages its liquidity risk through the management of its capital 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 Companyôs 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 period the Company has reported a foreign exchange gain of $1,482 (Sept. 30, 2023 ï gain of $504).

Sensitivity to market risks

On September 30, 2024, the Company had:

- A bank operating loan of which $Nil was drawn (June 30, 2024 - $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$64,525 (June 30, 2024 ï US$172,478) 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 $3,226 in future cash inflow.
- US$228,007 (June 30, 2024 ï US$144,464) 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 $11,400 in future cash outflow.

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

Forward-looking Information

Certain statements in this MD&A may constitute ñforward-looking informationò within the meaning of applicable Canadian securities legislation. Such forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and its subsidiary, or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. This forward-looking information is identified by the use of terms and phrases such as ñmayò, ñwouldò, ñshouldò, ñcouldò, ñexpectò, ñintendò, ñestimateò, ñanticipateò, ñplanò, ñforeseeò, ñbelieveò, or ñcontinueò, the negative of these terms and similar terminology, including references to assumptions, although not all forward-looking information contains these terms and phrases.

Forward-looking Information - continued

Forward-looking information reflect the current expectations of the management of the Company with respect to future events based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond our control, that could cause actual results, performance or achievements to differ materially from those disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, the following risk factors, including the risk factors summarized above under the heading ñRisk Factorsò, reliance on key personnel, inability to attract and retain qualified personnel, utilization of our workforce, labour relations, growth initiatives, long sales cycles, risks related to developing customer base, availability of financing for our customers, the cost of raw materials, cost overruns, risks related to performance, cost and timing of numerous technical, productivity and supply chain requirements, interruptions in the global supply chain, unknown use of forced and child labour within our supply chain, additional capital requirements, fluctuations in EBITDA, fluctuations in quarterly operating results, exchange rate fluctuations, competition, sensitivity to general economic conditions, brand and corporate reputation, product liability and warranty claims, equipment availability, reliance on manufacturers, product defects, continued access to appropriate facilities, litigation, risks related to income tax matters, environmental regulations, health and safety matters, risks related to global epidemics and pandemics and other health crises, dependence on IT systems, and business operations could be adversely affected by computer hacking. New risk factors may arise from time to time, and it is not possible for management of the Company to predict all those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those expressed or implied in such forward-looking information.

Although the forward-looking information contained in this MD&A is based upon what management believes to be reasonable assumptions based on information currently available to the Company, investors are cautioned against placing undue reliance on this information since actual results may vary from the forward-looking information. Certain assumptions made in preparing the forward-looking information and our objectives include: our ability to generate sufficient revenue while controlling our costs and expenses; our ability to manage our growth effectively; the absence of material adverse changes in our industry or the global economy; trends in our industry and markets; our ability to manage risks related to expansion; our ability to maintain good business relationships; our ability to expand our sales and distribution infrastructure and our marketing; our ability to develop products and technologies that keep pace with the continuing changes in technology, evolving industry standards, new product introductions by competitors and changing client preferences and requirements; the continued demand for printed circuit boards and custom printed circuit board assembly; our ability to retain key personnel and our ability to raise sufficient debt or equity financing to support our business growth.

Consequently, all forward-looking information contained in this MD&A is qualified by the foregoing cautionary statements, and there can be no guarantee that the results or developments that we anticipate will be realized or, even if substantially realized, that they will have the expected consequences or effects on our business, financial condition or results of operation. Unless otherwise noted or the context otherwise indicates, the forward-looking information contained in this presentation is provided as of the date of this presentation, and we do not undertake to update or amend such forward-looking information whether as a result of new information, future events or otherwise, except as may be required by applicable law.