ZTEST Electronics Inc.

Managementøs Discussion and Analysis
For The Three Month Period Ended September 30, 2022
(Prepared as at November 28, 2022)

General

The following managementøs discussion and analysis (ñMD&Aò) of the financial condition and results of operations of ZTEST Electronics Inc. (ñZTESTò or the ñCompanyò) constitutes managementøs review of the factors that affected the Companyøs interim condensed consolidated financial and operating performance for the three months ended September 30, 2022. The MD&A was prepared as of November 28, 2022 and was approved by the Board of Directors on November 28, 2022. It should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the three months ended September 30, 2022, and the audited consolidated financial statements for the year ended June 30, 2022, 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.sedar.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 designing, developing, and assembling printed circuit boards and other electronic equipment. The Companyøs shares trade on the Canadian Securities Exchange under the symbol "ZTE".

The Company held its annual general meeting on September 30, 2022 resulting in the re-election of each of the five incumbent directors. 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 as noted below.

Name	Position(s)
Steve Smith	Chairman, President & Chief Executive Officer
K. Michael Guerreiro [1*,2, 3]	Director (Independent)
Zachery Dingsdale [1, 3]	Director (Independent)
Dean Tyliakos [1]	Director (Independent)
Don Beaton	Director (Independent)
Michael D. Kindy, CPA, CA [2]	VP Finance & Chief Financial Officer
William R. Johnstone, LLB	Corporate Secretary
John Perreault [2]	Officer of PEC

* Acts as Committee Chair
(1) Member of the audit committee
(2) Director of Permatech Electronics Inc.
(3) Director of Conversance Inc.

Corporate Performance

The first quarter of the 2022 fiscal year continued to be dominated by the uncertainties and repercussions arising from, the COVID-19 pandemic. The Company operated continuously throughout the pandemic but that should not imply, and does not mean, that the pandemic has had no impact. As a consequence of COVID-19, the Company has encountered numerous factors affecting operating revenues, costs, and efficiencies and many of these are expected to continue for the foreseeable future. Future repercussions of the pandemic for the Company, its personnel, its industry, its customers, its suppliers, and the broader scope domestic and international markets, cannot currently be estimated.

Prior to, and throughout this fiscal period, the Company has experienced significant supply chain disruptions. Production of customer orders typically cannot commence until 100% of the required parts have been received. The supply chain disruptions have caused, and continue to cause, the receipt of many required parts to be delayed and that results in production delays. Production delays then translate into increases in the Companyøs order back-log and inventory while simultaneously having negative effects on revenues, gross margins, and cash flows. These supply chain disruptions are pervasive throughout the Companyøs industry, but are not isolated to the Companyøs industry nor are they within the Companyøs control.

Corporate Performance - continued

The Company has asserted that the growth in its order backlog will translate into production, and revenues, in future periods. Evidence to support that assertion was seen in the latter half of the 2022 fiscal year when revenues escalated and inventory levels declined. The most recent quarter was somewhat contradictory from this perspective as revenues rose more than 85% year-over-year, but inventory levels also rose more than 29%. Production was able to proceed on certain orders previously deferred by parts shortages but these were more than replaced by new orders that are now deferred for the same reason. The Company is working diligently with its customers to explore economically feasible ways to navigate through the supply-chain disruptions and to minimize production delays however the supply chain problems are expected to persist well into, and possibly beyond, the 2023 calendar year. While this problem persists the Company remains encouraged by the new orders being received and the future revenues that they represent.

While these disruptions persist, the Company continues to manage its liquidity. Working capital declined from $450,635 at the start of the period to $409,731 at the end of the period, and current financial assets declined from 71.5% of current financial liabilities to 59.2% of current financial liabilities. Although these current liquidity levels remain sufficient, the Company is actively working to reverse these negative trends.

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

	For the fiscal years ended:		
	June 2022	June 2021	June 2020
Total Revenues	4,415,275	4,009,460	3,888,898
Net (loss) income from operations	(266,878)	45,762	(81,102)
Per share - basic	(0.010)	0.002	(0.004)
Net (loss) income for the year	(266,878)	45,762	(818,737)
Per share - basic	(0.010)	0.002	(0.038)
Total assets	3,081,924	3,120,759	1,807,231
Total long-term financial liabilities	729,032	948,791	40,000
Total liabilities	2,198,767	2,116,323	1,042,533

	For the fiscal quarters ended:			
	Sept. 2022	June 2022	Mar. 2022	Dec. 2021
Total Revenues	1,168,956	1,677,062	1,326,227	781,865
Net income (loss) from operations	(86,737)	114,966	(20,894)	(191,338)
Per share - basic	(0.003)	0.004	(0.001)	(0.008)
Net income (loss) for the period	(86,737)	114,966	(20,894)	(191,338)
Per share - basic	(0.003)	0.004	(0.001)	(0.008)
Total assets	3,325,446	3,081,924	3,309,755	2,996,924
Total long-term financial liabilities	672,075	729,032	755,507	840,415
Total liabilities	2,493,175	2,198,767	2,541,563	2,207,838

	For the fiscal quarters ended:			
	Sept. 2021	June 2021	Mar. 2021	Dec. 2020
Total Revenues	630,121	1,045,365	1,037,388	873,206
Net income (loss) from operations	(169,612)	9,997	(23,906)	(22,215)
Per share - basic	(0.007)	0.000	(0.001)	(0.001)
Net income (loss) for the period	(169,612)	9,997	(23,906)	(22,215)
Per share - basic	(0.007)	0.000	(0.001)	(0.001)
Total assets	2,975,768	3,120,759	2,878,943	1,792,632
Total long-term financial liabilities	894,843	948,791	802,164	60,000
Total liabilities	2,098,545	2,116,323	1,884,504	935,862

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

Results of Operations

As noted previously, revenues during the first quarter of 2022 were up more than 85% year-over-year. While an increase in periodic revenues is always a positive result, it must be acknowledged that an increase of this magnitude is also a reflection of the negative impacts the supply-chain disruptions had on the period ended September 30, 2021. In spite of the improved revenues in the current and two immediately preceding fiscal quarters, supply chain issues continue to disrupt production scheduling. Although the Company is working diligently with customers to find economically feasible solutions, these disruptions may be impactful upon revenues in future periods.

In addition to the impact the supply-chain issues have had on revenues they have also impacted negatively on gross margins in recent periods. The Company generated gross margins of $312,234 in the most recent quarter, representing 26.7% of revenues. This is an improvement over the 23.5% reported at September 30, 2021 and the average of 25.5% for the year ended June 30, 2022 and management anticipates that margins will continue to improve in future periods.

The different elements of cost of product sales, and the changes realized, were as follows:

Three month periods ended September 30	2022	2021	Change
Raw materials and supplies consumed	$ 597,175	$ 273,067	$ 324,108
Labour costs incurred	202,289	190,445	11,844
Labour subsidies received	-	(39,680)	39,680
Depreciation	24,355	25,618	(1,263)
Other costs	41,117	29,592	11,525
Net change in finished goods and work in process	(8,214)	2,943	(11,157)
Total cost of product sales	$ 856,722	$ 481,985	$ 374,737

The cost of raw materials and supplies consumed rose more than 118% which, for the second consecutive quarter, is greater than the corresponding increase in periodic revenues. Product mix, or the volume of production for which the Company supplies all raw materials and supplies, always affects correlation between revenues and these costs. These costs approximated 51% of periodic revenues in the current period as compared to only 43% one year earlier supporting that there has been a shift in product mix. In addition, market volatility with respect to the cost of the materials and the costs associated with getting them delivered has also had an impact on the growth in these costs. The supply chain disruptions have caused certain items to be procured from alternate suppliers, often at lower volumes, higher than anticipated unit cost, and higher delivery costs. This situation is being actively addressed and its impact is declining.

Labour costs incurred have increased by 6.2% year-over-year however that is entirely a reflection of the reduced labour costs incurred during the period ended September 30, 2021. The costs incurred in the most recent quarter are just over 1% below the average costs of the four preceding fiscal quarters. Management continuously strives to match labour supply, to the extent feasible, to the labour required to facilitate customer orders and costs for the current period are in line with expectations.

The net change in finished goods and work in process is a measure of the change in labour costs included in inventory. This cost must be combined with labour costs incurred to determine the net labour costs included in cost of product sales. Net labour costs for the recent quarter equated to $194,075 as compared to $193,388 the year prior. While this is exceedingly comparable in value it is also indicative of a change in product mix, just as was discussed with respect to raw materials costs. Although the results at September 30, 2021 were adversely impacted by the COVID-19 pandemic, it remains evident that the net labour costs for that period, even including the pandemic-inspired labour subsidies, equate to a much larger percentage of periodic revenues than do the costs of the current period.

Depreciation costs remain consistent as there have been no major equipment additions in recent periods. The Company continuously monitors its equipment needs, and equipment availability, and will complete acquisitions when deemed prudent. Until such time as there may be major equipment additions it should be expected that the charges incurred in the most recent quarter will be representative of the charges that will occur in future periods.

Results of Operations - continued

Other costs include repairs and maintenance, stencils and tooling, packaging, and freight costs net of 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 Companyøs expectations.

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

Three month periods ended September 30	2022	2021	Change
Employee and consultant compensation	$ 226,464	$ 227,109	$ (645)
Compensation subsidies received	-	(23,267)	23,267
Occupancy costs	82,018	81,726	292
Rent subsidies received	-	(12,848)	12,848
Professional fees	23,841	12,318	11,523
Shareholder services	12,047	4,550	7,497
Insurance	9,453	7,956	1,497
Other costs	10,434	10,646	(212)
Total selling, general and administrative	$ 364,257	$ 308,190	$ 56,067

Employee and consultant compensation costs, which include salaries, benefits, consulting fees, and independent directorsô fees have remained entirely comparable year over year except that the government subsidy programs introduced during the COVID-19 pandemic have ended and are not expected to recur.

The Companyøs current facilities lease took effect April 1, 2021 and resulted in the recognition, and amortization, of a right of use asset. These amortization charges represent a significant element of occupancy costs and are consistent over the term of the lease. It is anticipated that occupancy costs will remain relatively comparable from period to period until the current lease expires in March 2026.

Professional fees are comprised of fees for legal services and the costs related to the annual financial statement audit. Both of these fees increased in the current period. Legal fees increased during the period, primarily as a result of the annual shareholders meeting that was held September 30, 2022. Also, at the inception of the 2022 annual audit, it was discovered that fees had increased and that they would exceed the estimated amounts that had been accrued throughout the 2022 fiscal year. The current period expense includes the shortfall from the accruals of the prior year plus a pro-rated accrual based on the fees expected for the 2023 annual audit.

Shareholder services have increased in the current period, also as a direct result of the annual shareholders meeting that was held September 30, 2022.

Insurance costs have risen reflecting higher premiums applicable to comparable policies. There has been no alteration in the nature of the insurance coverages that that Company maintains

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

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

Three month periods ended September 30	2022	2021	Change
Interest expense ï long term	$ 2,017	$ 2,521	$ (504)
Interest expense ï other	627	133	494
Interest expense ï lease liability	5,214	6,486	(1,272)
Total financing expenses	$ 7,858	$ 9,140	$ (1,282)

Results of Operations - continued

The Company initiated new 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 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. The Company made use of its operating line briefly during the most recent fiscal quarter.

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 then 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

At September 30, 2022, the Company had working capital of $409,731 (June 30, 2022 ï $450,635) and current financial assets of $1,078,709 (June 30, 2022 ï $1,050,790) available to settle current financial liabilities of $1,821,100 (June 30, 2022 ï $1,469,735). The Company also has access to a $500,000 bank operating line, of which $Nil (June 30, 2022 ï $Nil) had been drawn as of September 30, 2022.

In addition to satisfying the cost of operations the Company must also address the payment or other settlement of the following amounts as at September 30, 2022:

	Due by Sept. 2023	Due by Sept. 2024	Due by Sept. 2025	Due after Sept. 2025	Total Due
Long-term debt	$ 61,451	$ 85,351	$ 96,109	$ 47,289	$ 290,200
Lease liability	161,317	171,475	179,698	92,153	604,643
	$ 222,768	$ 256,826	$ 275,807	$ 139,442	$ 894,843

Capital Resources

The Company has a $500,000 commercial line of credit from which $Nil (June 2022 - $Nil) was drawn as at September 30, 2022. The loan bears interest at the TD Bank prime lending rate plus 2.5%, 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 $230,200 remains payable at September 30, 2022. 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 Company has not completed any financing transactions or issued any securities since June 30, 2022.

Related Party Transactions

The Company had transactions during the periods with key management personnel. These include consulting fees paid to Steve Smith (President and CEO), consulting fees paid to Michael D. Kindy (CFO), Directorsô fees paid to independent Directors of the Company and its subsidiary, salaries and benefits paid to John Perreault as an officer of PEC, legal fees paid to a legal firm in which William R. Johnstone (Corporate Secretary) is a partner, and share-based payments related to key management personnel. 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:

Related Party Transactions - continued

Three month periods ended September 30	2022	2021
Consulting fees [(1)]	$ 36,000	$ 36,000
Directorsô fees [(1)]	15,750	15,750
Salaries and benefits [(1)]	33,662	33,665
Legal fees [(2)]	7,341	4,568
Cash based expenditures	$ 92,753	$ 89,983
Share-based payments	$ 33,039	$ -

(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.

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:

	2022	2021
Consulting fees payable	$ 524,176	$ 411,108
Directorsô fees payable	$ 149,490	$ 89,099
Salaries and benefits payable	$ 5,080	$ 7,113
Legal fees payable	$ 45,305	$ 37,074

The following stock options have been issued to Directors and/or Officers of the Company and were outstanding as at September 20, 2022 and as at the date of this document:

Description	Expiry Date	Number of Common Shares
Stock options @ $0.95 per share	Jan. 12, 2023	350,000
Stock options @ $0.10 per share	Sep. 30, 2027	1,175,000

During the period ended September 30, 2022 1,175,000 stock options were issued to Directors and/or Officers of the Company.

Convertible Instruments and Other Securities

The Company has the following securities issued and outstanding:

Shares issued	Quantity	Amount
Common shares at September 30, 2022, and at the date of this document	26,687,196	$24,064,236

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
Stock options @ $0.95 per share	Jan. 2023	350,000
Stock options @ $0.10 per share	Sep. 2027	1,275,000
Shares reserved at September 30, 2022 and as at the date of this document		1,633,246

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

Convertible Instruments and Other Securities - continued

Fully diluted number of shares	Quantity
Shares issued as at September 30, 2022, and as at the date of this document	26,687,196
Shares reserved as at September 30, 2022, and as at the date of this document	1,633,246
Fully diluted position September 30, 2022, and as at the date of this document	28,320,442

Additional disclosures relative to stock options are as follows:

	Average Common Shares Under Option		Weighted Price per Option	Average Expiry Date
Balance at June 30, 2022	350,000	$	0.95	Jan. 12, 2023
Options granted during the period	1,275,000		0.10	Sep. 30, 2027
Balance as at Sept. 30, 2022, and as at the date of this document	1,625,000	$	0.28	Sep. 24, 2026

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

	Sept. 30 2022	June 30 2022
Dividend yield	**Nil**	None issued
Risk free interest rate (%)	**3.24%**	None issued
Expected stock volatility (%)	**135.92%**	None issued
Expected life (years)	**5**	None issued

The following stock options were outstanding as at September 30, 2022 and as at the date of this document:

	Common Shares Under Option	Number of Options Vested		Exercise Price	Expiry Date
Granted January 12, 2018	350,000 [(1)]	350,000	$	0.95	Jan. 12, 2023
Granted September 30, 2022	100,000	100,000	$	0.10	Sep. 30, 2027
Granted September 30, 2022	1,175,000 [(1)]	1,175,000	$	0.10	Sep. 30, 2027

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

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

No share purchase warrants were issued during the periods presented and there were no warrants outstanding as at June 30, 2022, September 30, 2022 or as at the date of this document.

Financial instruments

The Companyøs financial instruments are comprised of the following:

Financial assets:	*Classification*
Cash	Amortized cost
Accounts receivable	Amortized cost

Financial liabilities:	*Classification*
Accounts payable and accrued liabilities	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.

Financial instruments - continued

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 in order to determine the extent of the impairment loss. The recoverable amount is the higher of an assetœ 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 armœ 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 'loss event') 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 with 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 previous fiscal 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 Companyœ 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 Companyœ 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 Companyœ business, operating results, and financial condition.

Risk Factors - continued

In addition to the foregoing, the Company is exposed to credit risk, concentration of credit risk, liquidity risk, and currency risk. 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.

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 Companyõs 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, 2022 or September 30, 2021.

Concentration of credit risk

Concentration of credit risk arises when one or more customers individually account for 10% or more of the Companyõs revenues during a reporting period. The Company had 4 customers during the current period, representing 12%, 12%, 11% and 10% of revenues (Sept. 30, 2021 - 2 customers, 17% and 11% of revenues). Amounts due from these customers represented 36% of accounts receivable at September 30, 2022 (Sept. 30, 2021 - 6%). The loss of, 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. At September 30, 2022 the Company had current financial assets of $1,078,709 (June 30, 2022 - $1,050,790) available to settle current financial liabilities of $1,821,200 (June 30, 2022 - $1,469,735). The Company manages its liquidity risk through the management of its capital *(note 14)* 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 Companyõs reputation.

Market risks

The Company is exposed to interest rate risk due 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 $10,134 (Sept. 30, 2021 ï gain of $957).

Sensitivity to market risks

At September 30, 2022, the Company had:

- A bank operating loan that had not been drawn upon (June 30, 2022 - $Nil) which bears interest predicated upon the TD Bank prime lending rate. Based upon the current amount due on the operating loan, a 1% increase in the TD Bank prime lending rate, as at the financial reporting date, would result in no additional interest expense over the next 12 month period.
- US$130,683 (June 30, 2022 ï US$187,460) 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 $6,534 in future cash inflow.
- US$65,332 (June 30, 2022 ï US$126,498) 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 $3,267 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-lookingò statements which involve 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. When used in this report, the words ñestimateò, ñbelieveò, ñanticipateò, ñintendò, ñexpectò, ñplanò, ñmayò, ñshouldò, ñwillò, the negative thereof or other variations thereon or comparable terminology are intended to identify forward-looking statements. Such forward-looking statements reflect the current expectations of the management of the Company with respect to future events based on currently available information and are subject to risks and uncertainties that could cause actual results, performance or achievements to differ materially from those expressed or implied by those forward-looking statements, such as reduced funding, long sales cycles, currency and interest rate fluctuations, increased competition and general economic and market factors and including the risk factors summarized above under the heading ñRisk Factorsò. New risk factors may arise from time to time and it is not possible for management of the Company to predict all of 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 statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained in this MD&A speak only as of the date hereof. The Company does not undertake or assume any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.