

ZTEST Electronics Inc.

Consolidated Financial Statements

June 30, 2026 and 2025

(Stated in Canadian Dollars)

Independent Auditors' Report

To the Shareholders of ZTEST Electronics Inc.

Opinion

We have audited the consolidated financial statements of ZTEST Electronics Inc. (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2026 and 2025, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2026 and 2025, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements - continued

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - continued

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Spence Walker.

Kreston GTA LLP

Chartered Professional Accountants
Markham, Canada
October 6, 2026

ZTEST Electronics Inc.**Consolidated Statements of Financial Position**

(Stated in Canadian Dollars)

June 30, 2026 and 2025

	2026	2025
Assets		
Current assets		
Cash and cash equivalents	\$ 5,464,705	\$ 4,104,731
Accounts receivable	1,246,074	1,027,720
Inventories (note 3)	1,202,785	1,048,391
Prepaid expenses	64,848	63,727
	7,978,412	6,244,569
Equipment (note 4)	637,337	793,517
Right-of-use asset (note 5)	1,020,673	159,331
Investments (note 6)	1	1
	\$ 9,636,423	\$ 7,197,418
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	\$ 1,227,414	\$ 1,000,647
Government remittances payable	73,347	34,982
Customer deposits	19,921	6,916
Current portion of lease liability (note 8)	166,220	137,649
Current portion of long-term debt (note 9)	-	56,091
	1,486,902	1,236,285
Lease liability (note 8)	831,887	-
Deferred taxes (note 13)	131,272	154,516
	2,450,061	1,390,801
Shareholders' Equity		
Share capital (note 10)	25,166,891	25,081,033
Warrants (note 10)	-	421,385
Contributed surplus (note 10)	2,480,316	1,962,362
Deficit	(20,460,845)	(21,658,163)
	7,186,362	5,806,617
	\$ 9,636,423	\$ 7,197,418

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

Approved by the Board:

Signed: "David Barnett"

Director

Signed: "William R. Johnstone"

Director

ZTEST Electronics Inc.**Consolidated Statement of Changes in Equity**

(Stated in Canadian Dollars)

June 30, 2026

	Share Capital	Warrants	Contributed, Surplus	Deficit	Total
Balance, June 30, 2024	\$ 25,186,285	\$ 444,229	\$ 1,773,957	\$ (22,907,753)	\$ 4,496,718
Stock options granted	-	-	209,222	-	209,222
Stock options exercised	65,817	-	(20,817)	-	45,000
Warrants exercised	67,844	(22,844)	-	-	45,000
Shares repurchased	(238,913)	-	-	160,841	(78,072)
Net income for the year	-	-	-	1,088,749	1,088,749
Balance, June 30, 2025	25,081,033	421,385	1,962,362	(21,658,163)	5,806,617
Stock options granted	-	-	169,291	-	169,291
Stock options exercised	25,779	-	(12,279)	-	13,500
Warrants exercised	115,288	(60,443)	-	-	54,845
Warrants expired	-	(360,942)	360,942	-	-
Shares repurchased	(55,209)	-	-	35,067	(20,142)
Net income for the year	-	-	-	1,162,251	1,162,251
Balance, June 30, 2026	\$ 25,166,891	\$ -	\$ 2,480,316	\$ (20,460,845)	\$ 7,186,362

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

ZTEST Electronics Inc.**Consolidated Statements of Comprehensive Income**

(Stated in Canadian Dollars)

For the years ended June 30, 2026 and 2025

	2026	2025
Product sales	\$ 9,199,804	\$ 8,319,302
Cost of product sales (note 3)	5,232,166	4,862,419
	3,967,638	3,456,883
Expenses		
Selling, general and administrative (note 12)	2,259,070	1,894,703
Share-based compensation (note 10)	169,291	209,222
Interest expense - long-term debt	757	2,960
Interest expense - lease liability (note 8)	14,174	7,422
Interest expense - other	466	321
Depreciation of equipment	8,048	10,610
Foreign exchange loss (gain)	4,435	(2,941)
	2,456,241	2,122,297
Income before other income and provision for income taxes	1,511,397	1,334,586
Other income		
Interest income	102,219	128,579
Gain on sale of assets	13,274	-
	115,493	128,579
Income before provision for income taxes	1,626,890	1,463,165
Provision for income taxes (note 13)		
Current	(487,883)	(385,332)
Deferred	23,244	10,917
	(464,639)	(374,415)
Net income and comprehensive income for the year	\$ 1,162,251	\$ 1,088,750
Net income per share		
Basic	\$ 0.03	\$ 0.03
Fully diluted	\$ 0.03	\$ 0.03
Weighted average shares outstanding		
Basic	36,879,887	36,876,303
Fully diluted	37,133,142	37,219,616

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

ZTEST Electronics Inc.**Consolidated Statements of Cash Flows**

(Stated in Canadian Dollars)

For the years ended June 30, 2026 and 2025

	2026	2025
Cash flow from operating activities		
Net income for the year	\$ 1,162,251	\$ 1,088,750
Items not involving cash		
Depreciation of equipment	162,559	197,235
Depreciation of right of use asset	176,209	165,774
Imputed interest on lease liability	14,174	7,422
Share-based compensation	169,291	209,222
Provision for income taxes - deferred	(23,244)	(10,917)
	1,661,240	1,657,486
Changes in non-cash working capital items:		
Accounts receivable	(218,354)	662,630
Inventories	(154,394)	212,809
Prepaid expenses	(1,121)	(46,400)
Accounts payable and accrued liabilities	226,768	(452,756)
Government remittances	38,365	(341,867)
Customer deposits	13,005	(71,196)
	1,565,509	1,620,706
Cash flow from investing activities		
Purchase of equipment	(6,379)	(52,787)
Cash flow from financing activities		
Repayment of long-term debt	(56,092)	(65,192)
Repayment of lease obligation	(191,267)	(185,607)
Proceeds from share issuances	68,345	90,000
Normal course issuer bid share repurchases	(20,142)	(78,073)
	(199,156)	(238,872)
Increase in cash and cash equivalents	1,359,974	1,329,047
Cash and cash equivalents, beginning of year	4,104,731	2,775,684
Cash and cash equivalents, end of year	\$ 5,464,705	\$ 4,104,731

Supplemental Disclosure of Cash Flow Information:

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

Interest	\$ 1,121	\$ 3,426
Income taxes	\$ 449,518	\$ 727,199

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

ZTEST Electronics Inc.

Notes to Consolidated Financial Statements

(Stated in Canadian Dollars)

June 30, 2026 and 2025

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 and basis of presentation

The Company has prepared these consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements have been prepared on a historical cost basis using the accrual basis of accounting, except for cash flow information.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on October 6, 2026.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Basis of consolidation

These consolidated financial statements include the accounts of the Company as well as the following subsidiaries' assets and liabilities and 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 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 consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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:

<u>Financial assets:</u>	<u>Classification</u>
Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
<u>Financial liabilities:</u>	<u>Classification</u>
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

Notes to Consolidated Financial Statements

(Stated in Canadian Dollars)

June 30, 2026 and 2025

2. Significant Accounting Policies - continued

Financial instruments - continued

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.

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 asset's 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 arm's 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.

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.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Net realizable value is the amount, net of the estimated costs to complete assemblies and sell them, which the Company expects to realize from the sale of inventory in the ordinary course of business. An assessment of net realizable value is completed at the end of each reporting period and any resulting write-downs, or recovery of previous write-downs, are reflected in income for the period. Current assessments have determined that net realizable values equal or exceed the corresponding costs and accordingly all inventories are currently carried at cost.

Investments

Non-controlling interests, which are not financial instruments, and are less than a 20% ownership interest, are initially recorded at the cost of acquisition plus any directly attributable transaction costs. Subsequent to the acquisition date the investment is carried at amortized value, representing the initial carrying value net of any impairment provisions. An investment of this type is considered impaired when its carrying amount exceeds its recoverable amount.

Non-controlling interests, which are not financial instruments, and are equal to or exceeding a 20% ownership interest (an equity instrument), are initially recorded at the cost of acquisition plus any directly attributable transaction costs. Subsequent to the acquisition date, the investment is adjusted for the post-acquisition change in the investor's share of the investee's net assets and for any impairment provisions.

Notes to Consolidated Financial Statements

(Stated in Canadian Dollars)

June 30, 2026 and 2025

2. Significant Accounting Policies - continued

Investments - continued

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 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.

Equipment

Equipment is stated at cost. Depreciation is provided over the related assets' estimated useful lives using the following methods and annual rates:

Computer equipment	-	30 %	declining balance
Office equipment	-	20 %	declining balance
Manufacturing equipment	-	20 %	declining balance
Leasehold improvements	-	10 years	straight-line

The Company reviews the estimated useful lives, residual values, and depreciation method at the end of each reporting period, accounting for the effect of any changes in estimate on a prospective basis.

Revenue recognition

Revenue is recognized when the risks and rewards of ownership pass to the customer, the amount of revenue can be measured reliably, and the ability to collect is reasonably assured, which typically arises when the product is delivered.

Share based payment transactions

The fair value of share options granted to employees or consultants is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black Scholes option pricing model, after considering the terms and conditions upon which the options were granted. At the end of each financial reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Foreign exchange

On the transaction date all asset, liability, revenue, and expense amounts denominated in foreign currencies are translated into Canadian dollars using the exchange rate in effect on that date. At the end of each financial reporting period all monetary assets and liabilities are translated into Canadian dollars using the exchange rate in effect as at that date. The resulting foreign exchange gains and losses are included in income for the period.

Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in profit and loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

ZTEST Electronics Inc.

Notes to Consolidated Financial Statements

(Stated in Canadian Dollars)

June 30, 2026 and 2025

2. Significant Accounting Policies - continued

Income taxes - continued

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in income and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At the end of each financial reporting period, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

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

IFRS18, *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 inventories is comprised of:

	2026	2025
Raw materials and supplies ⁽¹⁾	\$ 1,145,010	\$ 979,018
Work in process	25,783	47,792
Finished goods	31,992	21,581
	\$ 1,202,785	\$ 1,048,391

⁽¹⁾ Raw materials and supplies are presented net of provisions for obsolete and/or slow-moving items in the amount of \$18,914 (2025 - \$9,889). 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.

ZTEST Electronics Inc.

Notes to Consolidated Financial Statements

(Stated in Canadian Dollars)

June 30, 2026 and 2025

3 Inventories - continued

Inventory utilization during the year was as follows:

	2026	2025
Raw materials and supplies used	\$ 3,892,001	\$ 3,531,470
Labour costs	982,608	941,919
Depreciation	154,511	186,624
Shipping costs	119,791	113,011
Repairs and maintenance	17,863	34,578
Stencils and tooling	36,227	27,216
Packaging costs	17,567	15,045
Net change in finished goods and work in process	11,598	12,556
Cost of product sales	\$ 5,232,166	\$ 4,862,419

4. Equipment

	Computer Equipment	Office Equipment	Manufacturing Equipment	Leasehold Improvements	Total
Cost:					
Balance, June 30, 2024	\$ 220,187	\$ 71,277	\$ 3,358,177	\$ 84,143	\$ 3,733,784
Additions	2,031	-	50,756	-	52,787
Balance, June 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
Accumulated Depreciation:					
Balance, June 30, 2024	\$ (193,776)	\$ (70,938)	\$ (2,450,433)	\$ (80,672)	\$ (2,795,819)
Depreciation	(8,229)	(68)	(186,624)	(2,314)	(197,235)
Balance, June 30, 2025	(202,005)	(71,006)	(2,637,057)	(82,986)	(2,993,054)
Depreciation	(6,837)	(54)	(154,511)	(1,157)	(162,559)
Disposals	2,001	-	-	-	2,001
Balance, June 30, 2026	\$ (206,841)	\$ (71,060)	\$ (2,791,568)	\$ (84,143)	\$ (3,153,612)
Carrying Amounts:					
June 30, 2025	\$ 20,213	\$ 271	\$ 771,876	\$ 1,157	\$ 793,517
June 30, 2026	\$ 18,396	\$ 217	\$ 618,724	\$ -	\$ 637,337

5. Right of use asset

The Company previously operated under a facility lease that expired March 31, 2026 however a new lease extension was negotiated such that the Company will continue to occupy its operating facility until March 2031. Each 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, 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 12). There have been no impairment losses and no remeasurement of the lease liability.

ZTEST Electronics Inc.

Notes to Consolidated Financial Statements

(Stated in Canadian Dollars)

June 30, 2026 and 2025

5. Right of use asset - continued

Balance, June 30, 2024	\$ 325,105
Depreciation recorded as an element of occupancy costs	(165,774)
Balance, June 30, 2025	159,331
Depreciation recorded as an element of occupancy costs	(176,209)
Amount recognized at inception of new lease	1,037,551
Balance, June 30, 2026	\$ 1,020,673

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.

	2026	2025
296,250 Class A common shares, representing a 25.29% interest	\$ 1,129,762	\$ 1,129,762
Equity in post-acquisition loss	(152,109)	(152,109)
Impairment provision	(977,652)	(977,652)
Aggregate investment	\$ 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% (2025 – prime + 1.8%), 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 June 30, 2026 or June 30, 2025.

8. Lease liability

The Company's previous lease extension expired March 31, 2026 however a new lease extension was negotiated such that the Company continues to occupy its operating facility until that new lease extension 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 inception of the lease extension, which was 5.012% (previous extension at 3.386%). The lease liability is subsequently reduced by lease payments paid and increased by imputed interest as follows:

ZTEST Electronics Inc.

Notes to Consolidated Financial Statements

(Stated in Canadian Dollars)

June 30, 2026 and 2025

8. Lease liability - continued

Balance June 30, 2024	\$	315,834
Lease payments paid during year		(185,607)
Interest imputed		7,422
Balance June 30, 2025		137,649
Lease payments paid during year		(191,267)
Lease liability recognized at inception		1,037,551
Interest imputed		14,174
Balance June 30, 2026		998,107
Less current portion		(166,220)
	\$	831,887

9. Long-Term Debt

	2026	2025
Term loan matured April 2026 which bore interest at 3.386%, required monthly payments of \$5,691 and was secured by a general security agreement covering the assets of PEC.	\$ -	\$ 56,091
Less: Current portion	-	(56,091)
	\$ -	\$ -

10. Share Capital

Authorized:

Unlimited Common shares

Unlimited Preferred shares in one or more series.

Issued:

	2026	2025
Common shares	\$ 25,166,891	\$ 25,081,033
	Number of Shares ⁽¹⁾	Amount
Common shares:		
Balance, June 30, 2024	36,545,821	\$ 25,186,285
Stock options exercised	450,000	65,817
Warrants exercised	150,000	67,844
Shares repurchased under Normal Course Issuer Bid ⁽²⁾	(350,500)	(238,913)
Balance, June 30, 2025	36,795,321	25,081,033
Stock options exercised	50,000	25,779
Warrants exercised	219,380	115,288
Shares repurchased under Normal Course Issuer Bid ^(2, 3)	(81,000)	(55,209)
Balance, June 30, 2026	36,983,701	\$ 25,166,891

⁽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.

ZTEST Electronics Inc.

Notes to Consolidated Financial Statements

(Stated in Canadian Dollars)

June 30, 2026 and 2025

10. Share Capital - continued

Issued – continued

⁽²⁾ The Company initiated a Normal Course Issuer Bid (NCIB) under which it was permitted to repurchase up to 2,727,923 of its common shares on the open market between April 1, 2025 and March 31, 2026. A total of 428,500 common shares were repurchased at an aggregate cost of \$97,144 and were cancelled.

⁽³⁾ The Company established a new 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 June 30, 2026 the Company had repurchased 3,000 common shares at a cost of \$1,070, which were pending cancellation. 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, 2024	2,739,380	\$ 444,229
Warrants exercised	(150,000)	(22,844)
Balance, June 30, 2025	2,589,380	421,385
Broker warrants exercised	(219,380)	(60,443)
Warrants expired	(2,370,000)	(360,942)
Balance, June 30, 2026	-	\$ -

	Number of Warrants	Weighted Average Price per Warrant	Weighted Average Expiry Date
Balance, June 30, 2025	2,589,380	\$ 0.30	Nov. 8, 2025
Broker warrants exercised during the year	(219,380)	\$ 0.25	Nov. 8, 2025
Warrants expired during the year	(2,370,000)	\$ 0.30	Nov. 8, 2025
Balance, June 30, 2026	-	\$ -	-

No warrants were issued during the years ended June 30, 2026 or June 30, 2025, and no warrants were outstanding on June 30, 2026.

Details of options outstanding:

	Common Shares Under Option	Weighted Average Price/Option	Weighted Average Expiry Date
Balance, June 30, 2025	1,550,000	\$ 0.26	Mar. 13, 2029
Stock options granted	1,000,000	\$ 0.29	Jan. 2, 2031
Stock options altered ⁽¹⁾	(300,000)	\$ 0.29	Jan. 24, 2030
Stock options altered ⁽¹⁾	300,000	\$ 0.29	Dec. 13, 2026
Stock options altered ⁽²⁾	(100,000)	\$ 0.40	Jan. 17, 2030
Stock options altered ⁽²⁾	100,000	\$ 0.40	Aug. 15, 2026
Stock options expired ⁽³⁾	(100,000)	\$ 0.28	Dec. 15, 2030
Stock options exercised	(50,000)	\$ 0.27	Mar. 28, 2029
Balance, June 30, 2026	2,400,000	\$ 0.27	May 6, 2029

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

⁽²⁾ In accordance with the terms of the stock option plan, the expiry date of these options was adjusted to be one year after the holder ceased to be a consultant to the Company.

⁽³⁾ These options were scheduled to vest December 15, 2026 but can no longer vest by virtue of the resignation of the holder as a Director of the Company so are deemed expired.

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Notes to Consolidated Financial Statements

(Stated in Canadian Dollars)

June 30, 2026 and 2025

10. Share Capital - continued

Details of options outstanding - continued:

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

	2026	2025
Dividend yield	Nil	Nil
Risk free interest rate (%)	3.00 - 3.09	1.05-2.92
Expected stock volatility (%)	133.67 – 134.98	143.56 – 146.09
Expected life (years)	5	5

The following stock options were outstanding on June 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 August 15, 2024	200,000 ^(2,7)	200,000	\$ 0.300	Dec. 13, 2026
Granted January 17, 2025	100,000 ⁽³⁾	100,000	\$ 0.400	Aug. 15, 2026
Granted December 15, 2025	600,000 ^(1,4)	300,000	\$ 0.280	Dec. 15, 2030
Granted December 15, 2025	100,000 ^(2,7)	100,000	\$ 0.280	Dec. 13, 2026
Granted December 15, 2025	100,000 ^(4,6)	50,000	\$ 0.280	Dec. 15, 2030
Granted June 22, 2026	100,000 ^(1,5)	-	\$ 0.385	June 22, 2031

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

⁽²⁾ These options are held by a former Director of the Company. The expiry date has been amended based on his date of resignation.

⁽³⁾ These options are held by a former consultant to the Company. The expiry date has been amended based on when the consultant's services ceased and they then expired subsequent to the year end.

⁽⁴⁾ The remaining options will vest December 15, 2026, provided the holder remains with the Company until the vesting date.

⁽⁵⁾ 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.

⁽⁶⁾ 25,000 options were exercised subsequent to June 30, 2026.

⁽⁷⁾ These options were exercised subsequent to June 30, 2026.

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:

	2026	2025
Contributed surplus, beginning of year	\$ 1,962,362	\$ 1,773,957
Stock options granted	169,291	209,221
Stock options exercised	(12,279)	(20,817)
Warrants expired	360,942	-
Contributed surplus, end of year	\$ 2,480,316	\$ 1,962,362

ZTEST Electronics Inc.

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(Stated in Canadian Dollars)

June 30, 2026 and 2025

11. 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.

Description	2026	2025
Employee and consultant compensation ⁽¹⁾	\$ 661,930	\$ 560,693
Professional fees	97,591	88,664
	<u>\$ 759,521</u>	<u>\$ 649,347</u>
Stock-based compensation	\$ 149,031	\$ 175,048

⁽¹⁾ The reported expense for 2026 does not include the termination payment due to the Company's former CEO upon termination of his employment

On June 30, 2026 \$225,346 (2025 - \$309,281) was payable to key management personnel and included in accounts payable and accrued liabilities.

12. Selling, general and administrative expenses

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

	2026	2025
Employee and consultant compensation (<i>note 11</i>)	\$ 1,559,009	\$ 1,252,351
Occupancy costs (<i>note 5</i>)	344,782	338,892
Professional fees (<i>note 11</i>)	169,817	157,139
Shareholder services	55,470	41,702
Travel and promotional activities	51,185	30,049
Insurance	40,962	39,994
Office and general	27,303	21,033
Bank charges	10,542	13,543
	<u>\$ 2,259,070</u>	<u>\$ 1,894,703</u>

13. Income Taxes

Current Income Taxes

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:

	2026	2025
Net income before provision for income taxes	\$ 1,626,890	\$ 1,463,165
Expected income tax provision	\$ 431,126	\$ 387,738
Amounts not deductible for income tax purposes	44,765	25,873
Temporary timing differences	11,992	(28,279)
Income tax expense - current	<u>\$ 487,883</u>	<u>\$ 385,332</u>

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:

	2026	2025
Deferred tax assets: Inventory	5,012	2,621
Deferred tax liabilities: Equipment	136,284	157,137
Net deferred tax liabilities	<u>\$ 131,272</u>	<u>\$ 154,516</u>

ZTEST Electronics Inc.

Notes to Consolidated Financial Statements

(Stated in Canadian Dollars)

June 30, 2026 and 2025

13. Income Taxes - continued

Unrecognized Deferred Tax Assets

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

	2026	2025
Share issuance costs	\$ 10,854	\$ 16,282
Equipment	3,868	3,757
Resource related expenditures	88,981	92,498
Scientific research and experimental development	278,414	278,414
Non-capital loss carry-forwards	477,697	480,116
Net capital loss carry-forwards	4,132,142	4,132,142
Income tax expense - deferred	4,991,956	5,003,209
Unrecognized deferred tax assets	(4,991,956)	(5,003,209)
Net deferred tax assets	\$ -	\$ -

Share issue costs expire in 2028, and non-capital loss carry-forwards expire as disclosed below. 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.

Tax Loss Carry-Forwards

The potential income tax benefits resulting from the application of income tax losses have not been recognized in these consolidated financial statements. The following losses, which may be subject to verification by Canada Revenue Agency, will expire at the end of the taxation years as follows:

Year	
2035	\$ 499
2036	56,691
2037	155,502
2038	237,224
2039	306,030
2040	246,339
2041	279,798
2042	257,280
2043	263,268
	<u>\$ 1,802,631</u>

14. 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. Except for the repayment terms associated with long-term debt instruments, there are no externally imposed capital requirements.

	2026	2025
Long-term debt	\$ -	\$ 56,062
Share capital	25,166,891	25,081,033
Warrants	-	421,385
Contributed surplus	2,480,316	1,962,362
Deficit	(20,460,845)	(21,658,163)
Net capital under management	<u>\$ 7,186,362</u>	<u>\$ 5,862,709</u>

Notes to Consolidated Financial Statements

(Stated in Canadian Dollars)

June 30, 2026 and 2025

15. 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 years ended June 30, 2026 and June 30, 2025.

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 year, the Company had three major customers which represented 19%, 13% and 10% of total revenues. In the prior year, three major customers accounted for 20%, 16% and 13% of total revenues. Amounts due from major customers represented approximately 60% of accounts receivable on June 30, 2026 (2025 - 46%). 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 June 30, 2026, the Company had current financial assets of \$6,710,779 (2025 - \$5,132,451) available to settle current financial liabilities of \$1,486,902 (2025 - \$1,236,285). 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 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 year, the Company has reported a foreign exchange loss of \$4,435 (2025 – gain of \$2,941).

Sensitivity to market risks

On June 30, 2026, the Company had:

- A bank operating loan of which \$Nil was drawn (2025 - \$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\$80,401 (2025 – US\$66,792) 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 \$4,020 (2025 – \$3,340) in future cash inflow.
- US\$130,630 (2025 – US\$218,283) 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 \$6,532 (2025 – \$10,914) in future cash outflow.

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