ZTEST Electronics Inc.

Consolidated Financial Statements

June 30, 2024 and 2023

(Stated in Canadian Dollars)

Independent Auditors' Report

To the Shareholders of ZTEST Electronics Inc.

Opinion

We have audited the accompanying consolidated financial statements of ZTEST Electronics Inc. (the "Company"), which comprise the consolidated statement of financial position as at June 30, 2024, and the consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (ñIFRSò).

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 Auditorôs 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 audit 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 year. 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 Matter – Comparative information

The consolidated financial statements for the year ended June 30, 2023 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on October 26, 2023.

Other Information

Management is responsible for the other information. The other information comprises Managementôs 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 Managementôs Discussion and Analysis prior to the date of this auditorôs 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 auditorôs 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 Companyôs 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 auditorôs 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 Companyôs 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 managementôs 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 Companyôs ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditorôs 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 auditorôs 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 auditorǭs report is Spence Walker.

Kreston GTA LLP

Chartered Professional Accountants
Markham, Canada
October 24, 2024

ZTEST Electronics Inc.

Consolidated Statements of Financial Position
(Stated in Canadian Dollars)
June 30, 2024 and 2023

	2024	2023
Assets		
Current assets		
Cash and cash equivalents	$ **2,775,684**	$ 232,875
Accounts receivable	**1,690,350**	957,504
Inventories *(note 3)*	**1,261,200**	1,829,953
Prepaid expenses	**17,327**	27,608
	5,744,561	3,047,940
Equipment *(note 4)*	**937,965**	402,921
Right-of-use asset *(note 5)*	**325,105**	490,880
Investments *(note 6)*	**1**	1
	$ **7,007,632**	$ 3,941,742
Liabilities		
Current liabilities		
Bank operating loan *(note 7)*	$ **-**	$ 110,000
Accounts payable and accrued liabilities *(note 11)*	**1,453,403**	1,749,562
Government remittances payable	**376,849**	-
Customer deposits	**78,112**	209,694
Current portion of lease liability *(note 8)*	**178,185**	168,904
Current portion of long-term debt *(note 9)*	**65,192**	77,454
	2,151,741	2,315,614
Lease liability *(note 8)*	**137,649**	315,834
Long-term debt *(note 9)*	**56,091**	166,840
Deferred taxes *(note 13)*	**165,433**	36,043
	2,510,914	2,834,331
Shareholders' Equity		
Share capital *(note 10)*	**25,186,285**	24,064,236
Warrants *(note 10)*	**444,229**	-
Contributed surplus *(note 10)*	**1,773,957**	1,704,197
Deficit	**(22,907,753)**	(24,661,022)
	4,496,718	1,107,411
	$ **7,007,632**	$ 3,941,742

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

Approved by the Board:

Signed: "Steve Smith" — Director

Signed: "William R. Johnstone" — Director

ZTEST Electronics Inc.

Consolidated Statement of Changes in Equity
(Stated in Canadian Dollars)
June 30, 2024

	Share Capital	Warrants	Contributed, Surplus	Deficit	Total
Balance, June 30, 2022	$ 24,064,236	$ -	$ 1,645,217	$ (24,826,296)	$ 883,157
Stock options granted	-	-	58,980	-	58,980
Net income for the year	-	-	-	165,274	165,274
Balance, June 30, 2023	24,064,236	-	1,704,197	(24,661,022)	1,107,411
Shares issued in settlement of debt	357,490	-	-	-	357,490
Stock options granted	-	-	85,951	-	85,951
Stock options exercised	51,191	-	(16,191)	-	35,000
Private placement	713,368	444,229	-	-	1,157,597
Net income for the year	-	-	-	1,753,269	1,753,269
Balance, June 30, 2024	**$ 25,186,285**	**$ 444,229**	**$ 1,773,957**	**$ (22,907,753)**	**$ 4,496,718**

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, 2024 and 2023

	2024	2023
Product sales	$ **9,756,044**	$ 5,702,239
Cost of product sales (*note 3*)	**5,837,907**	3,936,466
	3,918,137	1,738,773
Expenses		
Selling, general and administrative *(note 12)*	**1,676,606**	1,450,366
Share-based compensation *(note 10)*	**85,951**	58,980
Interest expense - long-term debt	**5,269**	7,233
Interest expense - lease liability *(note 8)*	**13,308**	18,854
Interest expense - other	**2,866**	5,717
Depreciation of equipment	**7,940**	4,557
Foreign exchange loss (gain)	**6,837**	(8,251)
	1,798,777	1,537,456
Income before other income and provision for income taxes	**2,119,360**	201,317
Other income		
Government grants *(note 9)*	**20,000**	-
Life insurance proceeds	**100,000**	-
Interest income	**20,148**	-
	140,148	-
Income before provision for income taxes	**2,259,508**	201,317
Provision for income taxes *(note 13)*		
Current	**(376,849)**	-
Deferred	**(129,390)**	(36,043)
	(506,239)	(36,043)
Net income and comprehensive income for the year	$ **1,753,269**	**$** 165,274
Net income per share		
Basic	$ **0.06**	$ 0.01
Fully diluted	$ **0.06**	$ 0.01
Weighted average shares outstanding		
Basic	**30,163,036**	26,687,196
Fully diluted	**30,545,951**	26,695,442

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, 2024 and 2023

		2024		2023
Cash flow from operating activities				
Net income for the year	$	**1,753,269**	$	165,274
Items not involving cash				
Government grant		**(20,000)**		-
Depreciation of equipment		**152,326**		101,977
Depreciation of right of use asset		**165,775**		165,775
Imputed interest on lease liability		**13,308**		18,854
Share-based compensation		**85,951**		58,980
Provision for income taxes - deferred		**129,390**		36,043
		2,280,019		546,903
Changes in non-cash working capital items:				
Accounts receivable		**(732,846)**		(174,354)
Inventories		**568,753**		(972,908)
Prepaid expenses		**10,281**		(15,073)
Accounts payable and accrued liabilities		**61,331**		499,586
Government remittances		**376,849**		-
Customer deposits		**(131,582)**		209,694
		2,432,805		93,848
Cash flow from investing activities				
Purchase of equipment		**(687,370)**		-
Cash flow from financing activities				
Net proceeds (repayment) of bank operating loan		**(110,000)**		110,000
Repayment of long-term debt		**(103,011)**		(60,930)
Repayment of lease obligation		**(182,212)**		(177,683)
Proceeds from share issuances		**1,192,597**		-
		797,374		(128,613)
Increase (decrease) in cash and cash equivalents		**2,542,809**		(34,765)
Cash and cash equivalents, beginning of year		**232,875**		267,640
Cash and cash equivalents, end of year	**$**	**2,775,684**	$	232,875

Supplemental Disclosure of Cash Flow Information:
During the year the Company had cash flows arising from interest and income taxes paid as follows:

Interest	**$**	**8,151**	$	13,085
Income taxes	**$**	**-**	$	-

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

1. Business of the Company

ZTEST Electronics Inc. (ñthe Companyò) 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 (ñCSEò) 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 (ñIFRSò) as issued by the International Accounting Standards Board (ñIASBò). 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 24 2024.

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 (ñPECò)	- 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 assessment of the Company as a going concern, recoverability of inventory, the inputs used in applying the Black-Scholes valuation model, and the recognition and valuation of deferred tax amounts.

Financial instruments
The Companyôs 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

2. Significant Accounting Policies - continued

Financial instruments - continued

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.

Cash and cash equivalents

Cash equivalents consist of term deposits having a term of 90-days or less, held at the Companyõs 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 investorõs share of the investeeõs net assets and for any impairment provisions.

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 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.

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 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.

(Stated in Canadian Dollars)

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 Companyǿs 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 1 January 2027, although early adoption is permitted. It supersedes IAS 1, *Presentation of Financial Statements*, and replaces presentation aspects of many existing standards. The objective is 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:

	2024	2023
Raw materials and supplies [1]	**$ 1,179,271**	$ 1,773,817
Work in process	**60,923**	36,812
Finished goods	**21,006**	19,324
	$ 1,261,200	$ 1,829,953

[1] Raw materials and supplies is presented net of provisions for obsolete and/or slow-moving items in the amount of $30,189 (2023 - $36,200). 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.

(Stated in Canadian Dollars)

3 Inventories - continued

Inventory utilization during the year was as follows:

	2024	2023
Raw materials and supplies used	**$ 4,435,242**	$ 2,808,629
Labour costs *(note 15)*	**1,101,602**	878,891
Shipping costs	**90,270**	117,070
Depreciation	**144,386**	97,420
Repairs and maintenance	**16,457**	17,777
Stencils and tooling	**57,185**	37,458
Packaging costs	**18,558**	16,044
Net change in finished goods and work in process	**(25,793)**	(9,913)
Cost of product sales	**$ 5,837,907**	$ 3,963,466

4. Equipment

	Computer Equipment	Office Equipment	Manufacturing Equipment	Leasehold Improvements	Total
Cost:					
Balance, June 30, 2022	$ 193,221	$ 71,277	$ 2,697,773	$ 84,143	$ 3,046,414
Additions	-	-	-	-	-
Balance, June 30, 2023	193,221	71,277	2,697,773	84,143	3,046,414
Additions	26,966	-	660,404	-	687,370
Balance, June 30, 2024	**$ 220,187**	**$ 71,277**	**$ 3,358,177**	**$ 84,143**	**$ 3,733,784**

	Computer Equipment	Office Equipment	Manufacturing Equipment	Leasehold Improvements	Total
Accumulated Depreciation:					
Balance, June 30, 2022	$ (186,099)	$ (70,747)	$ (2,208,627)	$ (76,043)	$ (2,541,516)
Depreciation	(2,136)	(106)	(97,420)	(2,315)	(101,977)
Balance, June 30, 2023	(188,235)	(70,853)	(2,306,047)	(78,358)	(2,643,493)
Depreciation	(5,541)	(85)	(144,386)	(2,314)	(152,326)
Balance, June 30, 2024	**$ (193,776)**	**$ (70,938)**	**$ (2,450,433)**	**$ (80,672)**	**$ (2,795,819)**
Carrying Amounts:					
June 30, 2023	$ 4,986	$ 424	$ 391,726	$ 5,785	$ 402,921
June 30, 2024	**$ 26,411**	**$ 339**	**$ 907,744**	**$ 3,471**	**$ 937,965**

5. Right of use asset

The Company occupies its operating facility under a lease that expires March 2026. The right-of-use asset was initially recorded at cost equal to the present value of the remaining lease payments, plus a refundable deposit paid at the inception of the lease. Subsequent to initial recording, the carrying-value of the right-of-use asset is equal to cost less accumulated depreciation and, if any, impairment losses and remeasurement of the lease liability. Depreciation is calculated on a straight-line basis over the term of the lease and charged as an element of occupancy costs *(note 12)*. There have been no impairment losses and no remeasurement of the lease liability.

(Stated in Canadian Dollars)

5. Right of use asset - continued

Balance, June 30, 2022	$	656,655
Depreciation recorded as an element of occupancy costs		(165,775)
Balance, June 30, 2023		490,880
Depreciation recorded as an element of occupancy costs		(165,775)
Balance, June 30, 2024	**$**	**325,105**

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 period, ZTEST declined the opportunity to participate in a convertible promissory note financing proposed by Conversance. Under this financing the creditor will have 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. Based on the information currently available to ZTEST, if subscribers convert 100% of the promissory notes prior to June 1, 2024, the ZTEST interests would be reduced to 17.89%.

		2024		2023
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

		2024		2023
Line of credit, which can be drawn to a maximum of $1,000,000 (June 2023 - $500,000), bears interest at the TD Bank prime lending rate plus 2.0% (June 2023 ï prime plus 2.5%), is due upon demand, and is secured by a general security agreement covering the assets of PEC.	**$**	**-**	**$**	110,000

8. Lease liability

The Company occupies its operating facility under a lease extension that expires March 2026. 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 Companyǿs incremental borrowing rate at the time the lease was extended, of 3.386%. The lease liability is subsequently reduced by lease payments paid and increased by imputed interest as follows:

(Stated in Canadian Dollars)

8. Lease liability - continued

Balance June 30, 2022	$ 643,567
Lease payments paid during period	(177,683)
Interest imputed	18,854
Balance June 30, 2023	484,738
Lease payments paid during period	(182,212)
Interest imputed	13,308
Balance June 30, 2024	315,834
Less current portion	(178,185)
	$ 137,649

9. Long-Term Debt

	2024	2023
Term loan bearing interest at 3.386% is secured by a general security agreement covering the assets of PEC, and matures April 2026. Monthly payments of $5,691, blended as to principal and interest, are required until maturity.	$ **121,283**	$ 184,294
Canadian Emergency Business Account (CEBA) [(1)]	**-**	60,000
	121,283	244,294
Less: Current portion	**65,192**	77,454
	$ 56,091	$ 166,840

[(1)] In accordance with the CEBA terms, the Company repaid $40,000 prior to December 31, 2023, and the remaining balance of $20,000 was then forgiven. The forgiven amount has been designated as a government grant and included in net income for the period.

The minimum annual future principal repayments as at June 30, 2024 are as follows:

2024	$ 65,192
2025	56,091
	$ 121,283

10. Share Capital

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

Issued:

	2024	2023
Common shares	**$ 25,186,285**	$ 24,064,236

Common shares:	Number of Shares [(1)]	Amount
Balance, June 30, 2023 and June 30, 2022	26,687,196	$ 24,064,236
Shares issued in settlement of debt	4,468,625	357,490
Stock options exercised	350,000	51,191
Private placement [(2)]	5,040,000	713,368
Balance, June 30, 2024	36,545,821	**$ 25,186,285**

[(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.

(Stated in Canadian Dollars)

10. Share Capital - continued

Issued – continued

(2) The Company completed a private placement whereby an aggregate of 5,040,000 working capital units were issued for gross proceeds of $1,260,000. Each unit consisted of one common share and one-half common share purchase warrant. Each full common share purchase warrant entitles the holder to acquire one additional common share of the Company at a price of $0.30 until November 8, 2025, being eighteen months following the closing date. The Company paid findersô fees of $54,845, incurred other costs of $47,558, attributed a value of $383,786 to the common share purchase warrants, and issued 219,380 broker warrants valued at $60,443. Each broker warrant entitles the holder to acquire one common share of the Company for $0.25 until November 8, 2025.

Details of warrants outstanding:

	Number of Warrants	Amount
Balance, June 30, 2023 and June 30, 2022	-	$ -
Warrants issued	2,520,000	383,786
Broker warrants issued	219,380	60,443
Balance, June 30, 2024	2,739,380	**$ 444,229**

	Number of Warrants	Weighted Average Price per Warrant	Weighted Average Expiry Date
Balance, June 30, 2023	-	$ -	-
Warrants issued during the year	2,739,380	$ 0.30	Nov. 8, 2025
Balance, June 30, 2024	2,739,380	$ 0.30	Nov. 8, 2025

The following weighted average assumptions were used to calculate the fair value of the warrants issued during the year:

	2024	2023
Dividend yield	**Nil**	None granted
Risk free interest rate (%)	**4.32**	None granted
Expected stock volatility (%)	**196.02**	None granted
Expected life (years)	**1.5**	None granted

The following warrants were outstanding on June 30, 2024:

	Number of Warrants	Exercise Price	Expiry Date
Warrants	2,520,000	$ 0.30	Nov. 8, 2025
Broker warrants	219,380	$ 0.25	Nov. 8, 2025

Details of options outstanding:

	Common Shares Under Option	Weighted Average Price/Option	Weighted Average Expiry Date
Balance, June 30, 2023	1,275,000	$ 0.10	Mar. 17, 2027
Stock options granted	350,000	$ 0.27	Mar. 28, 2029
Stock options exercised	(350,000)	$ 0.10	Sept. 30, 2027
Stock options expired	(175,000) (1)	$ 0.10	Nov. 1, 2023
Balance, June 30, 2024	1,100,000	$ 0.15	Mar. 21, 2028

(1) Stock options were held by a former Director of the Company.

(Stated in Canadian Dollars)

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:

	2024	2023
Dividend yield	**Nil**	Nil
Risk free interest rate (%)	**3.414**	3.243
Expected stock volatility (%)	**147.76**	135.92
Expected life (years)	**5**	5

The following stock options were outstanding on June 30, 2024:

	Common Shares Under Option	Number of Options Vested		Exercise Price	Expiry Date
Granted September 30, 2022	750,000 (1,2,3)	750,000	$	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

(1) Directors and/or Officers of the Company and its subsidiary hold these options.
(2) 250,000 stock options were exercised after June 30, 2024.
(3) 200,000 stock options were altered after June 30, 2024, in accordance with the stock option plan, to amend their expiry date from September 30, 2027, to January 7, 2025, due to the holderôs resignation as a director.

On August 15, 2024, 800,000 stock options were granted to directors and senior officers of the corporation. These options have an exercise price of $0.30, vest as to 50% on February 15, 2025 and 50% on August 15, 2025, and will expire August 15, 2029.

Share based payment transactions and contributed surplus

The Company has a stock option plan. As of June 30, 2024, the aggregate number of common shares reserved for issuance under this plan could not exceed 20% of the aggregate number of common shares of the Company that were issued and outstanding. At the shareholdersô meeting held July 11, 2024, the stock option plan was amended to reduce the maximum from 20% to 10%. The Company has granted options for the purchase of common shares to employees, directors, and officers 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:

		2024		2023
Contributed surplus, beginning of year	**$**	**1,704,197**	$	1,645,217
Stock options granted		**85,951**		58,980
Stock options exercised		**(16,191)**		(7,960)
Contributed surplus, end of year	**$**	**1,773,957**	$	1,704,197

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		**2024**		2023
Employee and consultant compensation	**$**	**477,918**	$	366,536
Professional fees		**67,394**		26,244
Share issuance costs		**37,533**		-
	$	**582,845**	$	392,780

(Stated in Canadian Dollars)

11. Related Party Transactions and Balances - continued

Stock-based compensation	**$**	**61,394**	$	54,355

On June 30, 2024 $613,502 (2023 - $845,052) 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:

		2024		2023
Employee and consultant compensation *(note 11)*	**$**	**1,105,715**	$	922,013
Occupancy costs *(note 5)*		**334,332**		333,804
Professional fees *(note 11)*		**124,210**		78,819
Insurance		**37,631**		36,912
Shareholder services		**21,289**		26,180
Other		**53,429**		52,638
	$	**1,676,606**	$	1,450,366

13. Income Taxes

Current Income Taxes

A reconciliation of combined federal and provincial corporate income taxes at the Companyộs effective tax rate of 26.50% (2023 ï 26.50%) is as follows:

		2024		2023
Net income before provision for income taxes	**$**	**2,259,508**	$	201,317
Expected income tax provision	**$**	**598,770**	$	53,349
Amounts not deductible for income tax purposes		**27,213**		17,484
Temporary timing differences		**(249,134)**		(70,833)
Income tax expense - current	**$**	**376,849**	$	-

Deferred Tax

Deferred taxes are provided as a result 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:

		2024		2023
Deferred tax assets:				
Non-capital losses carried forward	$	**24,461**	$	(24,461)
Inventory		**1,593**		(9,593)
Deferred tax liabilities:				
Temporary timing differences		**103,336**		70,097
Net deferred tax liabilities	**$**	**129,390**	$	36,043

(Stated in Canadian Dollars)

13. Income Taxes - continued

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

	2024	2023
Share issuance costs	**$ 81,922**	$ 1,313
Equipment	**13,592**	26,445
Resource related expenditures	**349,050**	349,050
Scientific research and experimental development	**1,050,618**	1,050,618
Non-capital loss carry-forwards	**1,903,864**	2,312,531
Net capital loss carry-forwards	**15,592,989**	15,592,989

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	$ 101,734
2036	56,691
2037	155,502
2038	237,224
2039	306,030
2040	246,339
2041	279,798
2042	257,280
2043	263,268
	$ 1,903,866

14. Capital disclosures

The Companyĝs 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 projected cash flows and making adjustments to capital as necessary. Except for the repayment terms associated with long-term debt instruments, there are no externally imposed capital requirements.

	2024	2023
Long-term debt	**$ 121,283**	$ 244,294
Share capital	**25,186,285**	24,064,236
Warrants	**444,229**	-
Contributed surplus	**1,773,957**	1,704,197
Deficit	**(22,907,753)**	(24,661,022)
Net capital under management	**$ 4,618,001**	$ 1,351,705

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, 2024 and June 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 Company's revenues during a reporting period. During the current year, the Company had three major customers which represented 19%, 16% and 11% of total revenues. In the prior year, three major customers accounted for 15%, 15% and 11% of total revenues. Amounts due from major customers represented approximately 57% of accounts receivable on June 30, 2024 (2023 - 39%). 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, 2024, the Company had current financial assets of $4,466,034 (2023 - $1,190,379) available to settle current financial liabilities of $2,151,741 (2023 - $2,315,614). 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 $6,837 (2023 – gain of $8,251).

Sensitivity to market risks
On June 30, 2024, the Company had:

- A bank operating loan of which $Nil was drawn (2023 - $110,000) 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$172,478 (2023 – US$183,992) 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 $8,624 (2023 – $9,199) in future cash inflow.
- US$144,464 (2023 – US$124,491) 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 $7,225 (2023 – $6,225) in future cash outflow.

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