ZTEST Electronics Inc.

Unaudited Condensed Interim Consolidated Financial Statements

March 31, 2025

(Stated in Canadian Dollars)

<u>Notice To Reader</u>

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

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors on May 29, 2025. They have not been reviewed by the Companyĝs auditors.

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

Unaudited Condensed Interim Consolidated Statements of Financial Position
(Stated in Canadian Dollars)
March 31, 2025

	Mar. 31 2025	June 30 2024
Assets		
Current assets		
Cash and cash equivalents	$ 3,866,997	$ 2,775,684
Accounts receivable	1,169,822	1,691,350
Inventories *(note 3)*	1,366,118	1,261,200
Prepaid expenses	26,076	17,327
	6,429,013	5,744,561
Equipment *(note 4)*	846,492	937,965
Right-of-use asset *(note 5)*	200,774	325,105
Investments *(note 6)*	1	1
	$ 7,476,280	$ 7,007,632
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities *(note 11)*	$ 1,393,111	$ 1,453,403
Government remittances payable	64,387	376,849
Customer deposits	73,643	78,112
Current portion of lease liability *(note 8)*	182,762	178,185
Current portion of long-term debt *(note 9)*	66,860	65,192
	1,780,763	2,151,741
Lease liability *(note 8)*	-	137,649
Long-term debt *(note 9)*	5,732	56,091
Deferred taxes *(note 14)*	140,126	165,433
	1,926,621	2,510,914
Shareholders' equity		
Share capital *(note 10)*	25,319,946	25,186,285
Warrants *(note 10)*	421,385	444,229
Contributed surplus *(note 10)*	1,926,901	1,773,957
Deficit	(22,118,573)	(22,907,753)
	5,549,659	4,496,718
	$ 7,476,280	$ 7,007,632

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

Approved by the Board:

Signed: "Steve Smith" — Director

Signed: "William R. Johnstone" — Director

Unaudited Condensed Interim Consolidated Statements of Changes in Equity
(Stated in Canadian Dollars)
March 31, 2025

	Share Capital	Warrants	Contributed Surplus	Deficit	Total
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
Net income for the period	-	-	-	1,207,651	1,207,651
Balance, March 31, 2024	24,421,726	-	1,790,148	(23,453,371)	2,758,503
Stock options exercised	51,191	-	(16,191)	-	35,000
Private placement	713,368	444,229	-	-	1,157,597
Net income for the period	-	-	-	545,318	545,318
Balance, June 30, 2024	25,186,285	444,229	1,773,957	(22,907,753)	4,496,718
Stock options granted	-	-	173,761	-	173,761
Stock options exercised	65,817	-	(20,817)	-	45,000
Warrants exercised	67,844	(22,844)	-	-	45,000
Net income for the period	-	-	-	789,180	789,180
Balance, March 31, 2025	**$ 25,319,946**	**$ 421,385**	**$ 1,926,901**	**$ (22,118,573)**	**$ 5,549,659**

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

ZTEST Electronics Inc.

Unaudited Condensed Interim Consolidated Statements of Comprehensive Income
(Stated in Canadian Dollars)
December 31, 2024

	Three months ended 2025	Three months ended 2024	Nine months ended 2025	Nine months ended 2024
Product sales	**$ 2,105,297**	$ 2,625,282	**$ 6,205,665**	$ 6,964,685
Cost of product sales *(note 3)*	**1,271,765**	1,500,979	**3,620,856**	4,217,487
	833,532	1,124,303	**2,584,809**	2,747,198
Expenses				
Selling, general and administrative *(note 12)*	**462,285**	415,735	**1,418,858**	1,231,499
Stock compensation *(notes 10 and 11)*	**68,731**	85,951	**173,760**	85,951
Interest expense - long term	**662**	1,213	**2,431**	4,067
Interest expense - lease liability *(note 8)*	**1,669**	3,153	**6,133**	10,519
Interest expense - other	**86**	76	**238**	2,790
Depreciation of equipment	**2,626**	1,054	**7,779**	3,110
Foreign exchange (gain) loss	**889**	(3,556)	**13,146**	4,948
	536,948	503,626	**1,622,345**	1,342,884
Income before other income and provision for income taxes	**296,584**	620,677	**962,464**	1,404,314
Other income				
Interest income	**35,470**	1,170	**103,092**	1,170
Government grants	**-**	-	**-**	20,000
Life insurance proceeds	**-**	100,000	**-**	100,000
	35,470	101,170	**103,092**	121,170
Income before provision for income taxes	**332,054**	721,847	**1,065,556**	1,525,484
Provision for income taxes *(note 13)*				
Current	**100,104**	197,160	**301,682**	317,062
Deferred	**(24,507)**	(6,751)	**(25,307)**	771
	75,597	190,409	**276,375**	317,833
Net income and comprehensive income for the period	**$ 256,457**	$ 531,438	**$ 789,180**	$ 1,207,651
Net income per share				
Basic	**$ 0.01**	$ 0.02	**$ 0.02**	$ 0.04
Fully diluted	**$ 0.01**	$ 0.02	**$ 0.02**	$ 0.04
Weighted average shares outstanding				
Basic	**37,111,932**	31,155,821	**36,871,003**	28,783,287
Fully diluted	**37,754,478**	31,464,291	**37,355,314**	28,853,333

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

ZTEST Electronics Inc.

Unaudited Condensed Interim Consolidated Statements of Cash Flows
(Stated in Canadian Dollars)
March 31, 2025

	Three months ended		Nine months ended	
	2025	2024	**2025**	2024
Cash flow from operating activities				
Net income for the period	**$ 256,457**	$ 531,438	**$ 789,180**	$ 1,207,651
Items not involving cash				
Government grant	**-**	-	**-**	(20,000)
Depreciation of equipment	**48,333**	20,640	**144,260**	61,869
Depreciation of right of use assets	**41,444**	41,444	**124,331**	124,331
Imputed interest on lease liability	**1,669**	3,153	**6,133**	10,519
Stock compensation expense	**68,731**	85,951	**173,760**	85,951
Deferred taxes	**(24,507)**	(6,751)	**(25,307)**	771
	392,127	675,875	**1,212,358**	1,471,092
Changes in non-cash working capital items:				
Accounts receivable	**25,955**	(429,553)	**520,528**	(587,221)
Inventories	**(83,238)**	101,181	**(104,918)**	32,613
Prepaid expenses	**(14,754)**	(212,205)	**(8,749)**	(196,565)
Accounts payable and accrued liabilities	**(57,052)**	442,123	**(60,292)**	459,184
Government remittances payable	**(12,951)**	197,160	**(312,462)**	317,062
Customer deposits	**8,819**	35,851	**(4,469)**	(23,358)
	258,906	810,432	**1,241,996**	1,472,807
Cash flow from investing activities				
Purchase of equipment	**(52,787)**	-	**(52,787)**	(1,804)
Cash flow from financing activities				
Proceeds (repayment) of operating loan - net	**-**	-	**-**	(110,000)
Repayment of long-term debt	**(16,376)**	(15,825)	**(48,691)**	(87,064)
Repayment of lease liability	**(46,401)**	(45,270)	**(139,205)**	(135,810)
Issuance of common shares	**45,000**	-	**90,000**	-
	(17,777)	(61,095)	**(97,896)**	(332,874)
Increase in cash and cash equivalents	**188,342**	749,337	**1,091,313**	1,138,129
Cash and cash equivalents, beginning	**3,678,655**	621,667	**2,775,684**	232,875
Cash and cash equivalents, ending	**$ 3,866,997**	$ 1,371,004	**$ 3,866,997**	$ 1,371,004

Supplemental Disclosure of Cash Flow Information:

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

Cash paid for interest	**$ 785**	$ 1,326	**$ 2,770**	$ 6,949
Cash paid for income taxes	**$ 113,055**	$ -	**$ 614,144**	$ -

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

(Stated in Canadian Dollars)

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
The Company has prepared these unaudited condensed interim financial statements in accordance with IAS 34, *Interim Financial Reporting*, employing all of the same accounting policies and methods of computation as disclosed in the annual financial statements as at June 30, 2024.

The notes to these unaudited condensed interim consolidated financial statements are intended to provide a description of events and transactions that are significant to an understanding of the changes in the Companyôs financial position and performance since June 30, 2024. Certain disclosures that appear in the annual financial statements have not been reproduced in these unaudited condensed interim consolidated financial statements and, in this regard only, these unaudited condensed interim financial statements do not conform in all respects to the requirements of IFRS for annual consolidated financial statements. Accordingly, these unaudited condensed interim consolidated financial statements should only be read in conjunction with the annual financial statements as at June 30, 2024.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on May 29, 2025.

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

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

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

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

Significant estimates and judgments include, but are not limited to, the 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

2. Significant Accounting Policies - continued

Financial instruments - continued

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

Amortized cost 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. The Company has assessed the assets of all its operating entities and has determined that there is no impairment of its non-financial assets.

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

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

Stock options and warrants outstanding are excluded from the computation of diluted income per share if their inclusion would increase the income per share, or decrease the loss per share, or if their exercise price exceeds the average market price of the Companyĝs 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.

(Stated in Canadian Dollars)

3. Inventories

The carrying value of inventory is comprised of:

	Mar. 31, 2025	June 30, 2024
Raw materials and supplies [(1)]	**$ 1,298,493**	$ 1,179,271
Work in process	**39,712**	60,923
Finished goods	**27,913**	21,006
	$ 1,366,118	$ 1,261,200

(1) Raw materials and supplies is presented net of provisions for obsolete and/or slow-moving items in the amount of $71,303 (June 2024 - $30,189). Management makes estimates of future demand when establishing appropriate provisions. To the extent that actual inventory losses differ from these estimates both inventories and net income will be affected.

Inventory utilization during the period was as follows:

	Mar. 31, 2025	Mar. 31, 2024
Raw materials and supplies used	**$ 2,623,622**	$ 3,231,843
Labour costs	**705,889**	813,091
Depreciation	**136,481**	58,759
Shipping and packaging	**94,512**	83,747
Stencils and tooling	**21,630**	43,582
Repairs and maintenance	**24,417**	11,602
Net change in finished goods and work in process	**14,305**	(25,137)
Cost of product sales	**$ 3,620,856**	$ 4,217,487

4 Equipment

	Computer Equipment	Office Equipment	Manufacturing Equipment	Leasehold Improvements	Total
Cost:					
Balance, June 30, 2023	$ 193,221	$ 71,277	$ 2,697,773	$ 84,143	$ 3,046,414
Additions	1,804	-	-	-	1,804
Balance March 31, 2024	195,025	71,277	2,697,773	84,143	3,048,218
Additions	25,162	-	660,404	-	685,566
Balance, June 30, 2024	220,187	71,277	3,358,177	84,143	3,733,784
Additions	2,031	-	50,756	-	52,787
Balance March 31, 2025	**$ 222,218**	**$ 71,277**	**$ 3,408,933**	**$ 84,143**	**$ 3,786,671**
Accumulated Depreciation:					
Balance, June 30, 2023	$ (188,235)	$ (70,853)	$ (2,306,047)	$ (78,358)	$ (2,643,493)
Depreciation	(1,311)	(63)	(58,759)	(1,736)	(61,869)
Balance March 31, 2024	(189,546)	(70,916)	(2,364,806)	(80,094)	(2,705,362)
Depreciation	(4,230)	(22)	(85,627)	(578)	(90,457)
Balance, June 30, 2024	(193,776)	(70,938)	(2,450,433)	(80,672)	(2,795,819)
Depreciation	(5,994)	(50)	(136,480)	(1,736)	(144,260)
Balance March 31, 2025	**$ (199,770)**	**$ (70,988)**	**$ (2,586,913)**	**$ (82,408)**	**$ (2,940,079)**

(Stated in Canadian Dollars)

4. Equipment - continued

Carrying Amounts:										
June 30, 2023	$	4,986	$	424	$	391,726	$	5,785	$	402,921
March 31, 2024	$	5,479	$	361	$	332,967	$	4,049	$	342,856
June 30, 2024	$	26,411	$	339	$	907,744	$	3,471	$	937,965
March 31, 2025	**$**	**22,448**	**$**	**289**	**$**	**822,020**	**$**	**1,735**	**$**	**846,492**

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.

Balance, June 30, 2023	$	490,880
Depreciation recorded as an element of occupancy costs		(124,331)
Balance March 31, 2024		366,549
Depreciation recorded as an element of occupancy costs		(41,444)
Balance, June 30, 2024		325,105
Depreciation recorded as an element of occupancy costs		(124,331)
Balance March 31, 2025	**$**	**200,774**

6. Investments

The Company holds a non-controlling interest in Conversance Inc., a private Canadian technology company. 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. To date, when properly presented, ZTEST has declined the opportunity to participate in convertible debt financings proposed by Conversance. The Company lacks adequate documentation to ascertain the aggregate amounts raised under these financings, what dilution ZTEST may be subject to as a result, and whether any conversions have happened to date.

		Mar. 31, 2025		June 30, 2024
296,250 Class A common shares, representing a 25.29% interest	**$**	**1,129,762**	$	1,129,762
Equity in post-acquisition losses and impairment provisions		**(1,129,761)**		(1,129,761)
	$	**1**	$	1

(Stated in Canadian Dollars)

7. 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 2.0%, 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 March 31, 2025 or June 30, 2024.

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 Companyȍs 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:

Balance, June 30, 2023	$	484,738
Lease payments paid during period		(135,810)
Interest imputed		10,519
Balance March 31, 2024		359,447
Lease payments paid during period		(46,402)
Interest imputed		2,789
Balance June 30, 2024		315,834
Lease payments paid during period		(139,205)
Interest imputed		6,133
Balance March 31, 2025		182,762
Less current portion		(182,762)
	$	-

9. Long-Term Debt

		Mar. 31, 2025		June 30, 2024
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.	$	**72,592**	$	121,283
Less: current portion		**66,860**		65,192
	$	**5,732**	$	56,091

The minimum annual future principal repayments as at March 31, 2025, are as follows:

2026	$	66,862
2027		5,732
	$	72,592

10. Share Capital

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

(Stated in Canadian Dollars)

10. Share Capital - continued

Issued

	Mar. 31, 2025	June 30, 2024
Common shares	**$ 25,319,946**	$ 25,186,285

Common shares:	Number of Shares [1]	Amount
Balance June 30, 2023	26,687,196	$ 24,064,236
Shares issued in settlement of debt	4,468,625	357,490
Balance, March 31, 2024	31,155,821	24,421,726
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
Stock options exercised	450,000	65,817
Warrants exercised	150,000	67,844
Balance, March 31, 2025	37,145,821	**$ 25,319,946**

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

(2) The Company completed a private placement whereby 5,040,000 working capital units, consisting of one common share and one-half common share purchase warrant, were issued for gross proceeds of $1,260,000. 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. 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 March 31, 2024	-	$ -
Warrants issued	2,520,000	383,786
Broker warrants issued	219,380	60,443
Balance, June 30, 2024	2,739,380	444,229
Warrants exercised	(150,000)	(22,844)
Balance, March 31, 2025	2,589,380	**$ 421,385**

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

	Mar. 31, 2025	June 30, 2024
Dividend yield	None granted	Nil
Risk free interest rate (%)	None granted	4.32
Expected stock volatility (%)	None granted	196.02
Expected life (years)	None granted	1.5

(Stated in Canadian Dollars)

10. Share Capital - continued

Details of warrants outstanding - continued:

	Number of Warrants	Weighted Average Price per Warrant		Weighted Average Expiry Date
Balance, June 30, 2024	2,739,380	$	0.30	Nov. 8, 2025
Exercised	(150,000)	$	0.30	Nov. 8, 2025
Balance, March 31, 2025	2,589,380	$	0.30	Nov. 8, 2025

The following warrants were outstanding on March 31, 2025:

	Number of Warrants	Exercise Price		Expiry Date
Warrants	2,370,000	$	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 per Option		Weighted Average Expiry Date
Balance, June 30, 2024	1,100,000	$	0.15	Mar. 21, 2028
Stock options granted	900,000	$	0.31	Sept. 1, 2029
Stock options altered (1)	(200,000)	$	0.10	Sept. 30, 2027
Stock options altered (1)	200,000	$	0.10	Jan. 7, 2025
Stock options exercised	(450,000)	$	0.10	July 14, 2026
Balance, March 31, 2025	1,550,000	$	0.26	Mar. 13, 2029

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

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

	Mar. 31, 2025	June 30, 2024
Dividend yield	**Nil**	Nil
Risk free interest rate (%)	**1.05 - 2.92**	3.414
Expected stock volatility (%)	**143.56 - 146.09**	147.76
Expected life (years)	**5**	5

The following stock options were outstanding on March 31, 2025:

	Common Shares Under Option	Number of Options Vested	Exercise Price		Expiry Date
Granted September 30, 2022	300,000 (1)	400,000	$	0.10	Sep. 30, 2027
Granted March 28, 2024	250,000 (1)	250,000	$	0.27	Mar. 28, 2029
Granted March 28, 2024	100,000	100,000	$	0.27	Mar. 28, 2029
Granted August 15, 2024	800,000 (1,2)	400,000	$	0.30	Aug. 15, 2029
Granted January 17, 2025	100,000 (3)	-	$	0.40	Jan. 17, 2030

(1) Directors and/or Officers of the Company and its subsidiary hold these options.
(2) The remaining options will vest August 15, 2025.
(2) These options will vest as to 50% on April 17, 2025 and 50% on July 17, 2025.

(Stated in Canadian Dollars)

10. Share Capital - continued

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:

	Mar. 31, 2025	June 30, 2024
Contributed surplus, beginning of period	**$ 1,773,957**	$ 1,704,197
Stock options granted [1]	**173,961**	85,951
Stock options exercised	**(20,817)**	(16,191)
Contributed surplus, end of period	**$ 1,926,901**	$ 1,773,957

[1] A value of $186,717 was ascribed to the 800,000 stock options granted August 15, 2024 and a value of $35,772 was ascribed to the 100,000 stock options granted January 17, 2025. These amounts are recognized over the vesting periods applicable to these stock options.

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.

	Mar. 31, 2025	Mar. 31, 2024
Employee and consultant compensation	**$ 418,041**	$ 348,655
Professional fees	**71,281**	43,161
	$ 489,322	$ 391,816
Stock-based compensation	**$ 151,708**	$ 61,394

On March 31, 2025 $305,126 (June 30, 2024 - $613,502) 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:

	Mar. 31, 2025	Mar. 31, 2024
Employee and consultant compensation *(note 11)*	**$ 931,593**	$ 812,538
Occupancy costs *(note 5)*	**255,822**	252,311
Professional fees *(note 11)*	**114,054**	84,127
Shareholder services	**33,183**	15,718
Insurance	**29,710**	27,858
Travel and promotional activities	**29,227**	11,744
Office and general expenses	**25,269**	27,203
	$ 1,418,858	$ 1,231,499

(Stated in Canadian Dollars)

13. Income Taxes

Current Income Tax

A reconciliation of combined federal and provincial corporate income taxes at the Companyôs effective tax rate of 26.50% (2022 ï 26.50%) is as follows:

	Mar. 31, 2025	Mar. 31, 2024
Net income before income taxes	**$ 1,065,556**	$ 1,525,483
Expected income tax	**$ 282,373**	$ 404,253
Amounts not deductible for income tax purposes	**43,851**	22,538
Temporary timing differences	**(24,541)**	(109,731)
Income tax expense - current	**$ 301,683**	$ 317,060

Deferred Tax

The following table summarizes the changes in the components of deferred tax:

	Mar. 31, 2025	Mar. 31, 2024
Deferred tax assets: Inventory	**$ (10,895)**	$ -
Deferred tax liabilities: Temporary timing differences	**(14,412)**	771
Net deferred tax liabilities	**$ (25,307)**	$ 771

Unrecognized Deferred Tax Assets

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

	Mar. 31, 2025	June 30, 2024
Share issuance costs	**$ 66,561**	$ 81,922
Equipment	**14,028**	13,592
Resource related expenditures	**349,050**	349,050
Scientific research and experimental development	**1,050,618**	1,050,618
Net capital loss carry-forwards	**1,830,586**	1,903,864
Non-capital loss carry-forwards	**15,592,989**	15,592,989

Share issue costs expire in 2028, and non-capital loss carry-forwards expire from 2035 to 2045. 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.

14. Capital disclosures

The Companyôs objective when managing capital is to ensure its ability to meet operating commitments as they become due and to provide return for shareholders. Actual and projected cash flows are monitored continuously, and capital is adjusted as necessary. Except for the repayment terms associated with long-term debt instruments, there are no externally imposed capital requirements.

	Mar. 31, 2025	June 30, 2024
Long-term debt	**$ 72,592**	$ 121,283
Share Capital	**25,319,946**	25,186,285
Warrants	**421,385**	444,229
Contributed surplus	**1,926,901**	1,773,957
Deficit	**(22,118,573)**	(22,907,753)
Net capital under management	**$ 5,622,251**	$ 4,618,001

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 Companyôs primary exposure to credit risk is in its accounts receivable. To mitigate this risk, management actively manages and monitors its receivables and obtains pre-payments where warranted. It has been determined that no allowance is required, as all amounts outstanding are considered collectible. The Company incurred no bad debts during the periods ended March 31, 2025 or March 31, 2024**.**

Concentration of credit risk
Concentration of credit risk arises when one or more customers, defined as a major customer, individually account for 10% or more of the Companyôs revenues during a reporting period. During the nine-month period ended March 31, 2025 the Company had three major customers who represented 22%, 17% and 12% of total revenues. In the comparative period, there were two major customers which represented 19% and 16% of revenues. Amounts due from major customers represented 44% of accounts receivable on March 31, 2025 (Mar. 31, 2024 - 55%). The loss of, or significant curtailment of purchases by a major 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 March 31, 2025 the Company had current financial assets of $5,036,819 (June 30, 2024 - $4,466,034) available to settle current financial liabilities of $1,780,763 (June 30, 2024 - $2,151,741). 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 Companyôs reputation.

Market risks
The Company is exposed to interest rate risk due a bank operating loan that has a floating interest rate as well as currency risk related to accounts receivable, accounts payable, and nominal amounts of cash, prepaid expenses, and customer deposits, denominated in US dollars. Market risks give rise to the potential for future cash flows to fluctuate because of changes in interest rates or foreign exchange rates. Market risks are closely monitored and attempts are made to match foreign cash inflows and outflows. During the current period the Company has reported a foreign exchange loss in the amount of $13,146 (March 31, 2024 ï loss of $4,948).

Sensitivity to market risks
On March 31, 2025, the Company had:

- A bank operating loan of which $Nil was drawn (June 30, 2024 - $Nil) bears interest predicated upon the TD Bank prime lending rate. A change of 1% in that prime lending rate would result in no impact on cash flows over the next 12 months, based on the current loan balance.
- US$57,378 (June 30, 2024 ï US$172,478) included in accounts receivable. A 5% increase in the value of the Canadian dollar relative to the US dollar would result in a reduction of $2,869 in future cash inflow.
- US$338,723 (June 30, 2024 ï US$144,464) included in accounts payable. A 5% decrease in the value of the Canadian dollar relative to the US dollar would result in an increase of $16,936 in future cash outflow.

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