

**ZTEST Electronics Inc.**  
**Unaudited Condensed Interim Consolidated Financial Statements**  
**March 31, 2024**  
**(Stated in Canadian Dollars)**

Notice To Reader

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 28, 2024. They have not been reviewed by the Company's 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.

**ZTEST Electronics Inc.****Unaudited Condensed Interim Consolidated Statements of Financial Position**

(Stated in Canadian Dollars)

March 31, 2024

	<b>Mar. 31 2024</b>	June 30 2023
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,371,004	\$ 232,875
Accounts receivable	1,544,725	957,504
Inventories (note 3)	1,797,340	1,829,953
Prepaid expenses (note 10)	224,173	27,608
	<b>4,937,242</b>	<b>3,047,940</b>
Equipment (note 4)	342,856	402,921
Right-of-use asset (note 5)	366,549	490,880
Investments (note 6)	1	1
	<b>\$ 5,646,648</b>	<b>\$ 3,941,742</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank operating loan (note 7)	\$ -	\$ 110,000
Accounts payable and accrued liabilities (note 13)	1,851,256	1,749,561
Customer deposits	186,336	209,694
Government remittances payable	317,062	-
Current portion of lease liability (note 8)	176,685	168,904
Current portion of long-term debt (note 9)	64,638	77,454
	<b>2,595,977</b>	<b>2,315,614</b>
Lease liability (note 8)	182,762	315,834
Long-term debt (note 9)	72,592	166,840
Deferred taxes (note 14)	36,814	36,043
	<b>2,888,145</b>	<b>2,834,331</b>
<b>Commitments (note 10)</b>		
<b>Shareholders' equity</b>		
Share capital (notes 11 and 17)	24,421,726	24,064,236
Contributed surplus (note 11)	1,790,148	1,704,197
Deficit	(23,453,371)	(24,661,022)
	<b>2,758,503</b>	<b>1,107,411</b>
	<b>\$ 5,646,648</b>	<b>\$ 3,941,742</b>

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

**ZTEST Electronics Inc.****Unaudited Condensed Interim Consolidated Statements of Changes in Equity**

(Stated in Canadian Dollars)

*March 31, 2024*

	Share Capital	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 loss for the period	-	-	(30,838)	(30,838)
Balance, March 31, 2023	24,064,236	1,704,197	(24,857,134)	911,299
Net income for the period	-	-	196,112	196,112
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	<b>\$ 24,421,726</b>	<b>\$ 1,790,148</b>	<b>\$ (23,453,371)</b>	<b>\$ 2,758,503</b>

*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 (Loss)

(Stated in Canadian Dollars)

March 31, 2024

	Three months ended		Nine months ended	
	2024	2023	2024	2023
<b>Product sales</b>	\$ 2,625,282	\$ 1,594,507	\$ 6,964,685	\$ 3,904,815
<b>Cost of product sales (note 3)</b>	<b>1,500,979</b>	1,061,479	<b>4,217,487</b>	2,803,575
	<b>1,124,303</b>	533,028	<b>2,747,198</b>	1,101,240
<b>Expenses</b>				
Selling, general and administrative (note 13)	415,735	335,329	1,231,499	1,056,202
Stock compensation (notes 11 and 12)	85,951	-	85,951	58,980
Interest expense - long term	1,213	1,718	4,067	5,623
Interest expense - lease liability (note 8)	3,153	4,551	10,519	14,647
Interest expense - other	76	2,362	2,790	3,153
Depreciation of equipment	1,054	1,138	3,110	3,417
Foreign exchange (gain) loss	(3,556)	(3,224)	4,948	(9,944)
	<b>503,626</b>	341,874	<b>1,342,884</b>	1,132,078
<b>Income (loss) before other income and provision for income taxes</b>	<b>620,677</b>	191,154	<b>1,404,314</b>	(30,838)
<b>Other income</b>				
Government grants (note 9)	-	-	20,000	-
Life insurance proceeds	100,000	-	100,000	-
Interest income	1,170	-	1,170	-
	<b>101,170</b>	-	<b>121,170</b>	-
<b>Income (loss) before provision for income taxes</b>	<b>721,847</b>	191,154	<b>1,525,484</b>	(30,838)
<b>Provision for income taxes (note 14)</b>				
Current	197,160	-	317,062	-
Deferred	(6,751)	-	771	-
	<b>190,409</b>	-	<b>317,833</b>	-
<b>Net income (loss) and comprehensive income (loss) for the period</b>	<b>\$ 531,438</b>	\$ 191,154	<b>\$ 1,207,651</b>	\$ (30,838)
<b>Net income (loss) per share</b>				
Basic	\$ 0.02	\$ 0.01	\$ 0.04	\$ (0.00)
Fully diluted	\$ 0.02	\$ 0.01	\$ 0.04	\$ (0.00)
<b>Weighted average shares outstanding</b>				
Basic	31,155,821	26,687,196	28,783,287	26,687,196
Fully diluted	31,464,291	26,687,196	28,853,333	26,687,196

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, 2024

	Three months ended		Nine months ended	
	2024	2023	2024	2023
<b>Cash flow from operating activities</b>				
Net income (loss) for the period	\$ 531,438	\$ 191,154	\$ 1,207,651	\$ (30,838)
Items not involving cash				
Government grant	-	-	(20,000)	-
Depreciation of equipment	20,640	25,494	61,869	76,483
Depreciation of right of use assets	41,444	41,443	124,331	124,331
Imputed interest on lease liability	3,153	4,550	10,519	14,647
Stock compensation expense	85,951	-	85,951	58,980
Deferred taxes	(6,751)	-	771	-
	675,875	262,641	1,471,092	243,603
Changes in non-cash working capital items:				
Accounts receivable	(429,553)	(381,819)	(587,221)	(183,471)
Inventories	101,181	(502,702)	32,613	(961,352)
Prepaid expenses	(212,205)	(40,596)	(196,565)	(38,563)
Accounts payable and accrued liabilities	442,123	545,885	459,184	673,141
Government remittances payable	197,160	-	317,062	-
Customer deposits	35,851	(13,694)	(23,358)	255,210
	810,432	(130,285)	1,472,807	(11,432)
<b>Cash flow from investing activities</b>				
Purchase of equipment	-	-	(1,804)	-
<b>Cash flow from financing activities</b>				
Proceeds (repayment) of operating loan - net	-	125,000	(110,000)	125,000
Repayment of long-term debt	(15,825)	(15,319)	(87,064)	(45,517)
Repayment of lease liability	(45,270)	(44,138)	(135,810)	(132,414)
	(61,095)	65,543	(332,874)	(52,931)
<b>Increase (decrease) in cash</b>	<b>749,337</b>	<b>(64,742)</b>	<b>1,138,129</b>	<b>(64,363)</b>
<b>Cash and cash equivalents, beginning</b>	<b>621,667</b>	<b>268,019</b>	<b>232,875</b>	<b>267,640</b>
<b>Cash and cash equivalents, ending</b>	<b>\$ 1,371,004</b>	<b>\$ 203,277</b>	<b>\$ 1,371,004</b>	<b>\$ 203,277</b>

#### 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	\$ 1,326	\$ 4,117	\$ 6,949	\$ 8,859
Cash paid for income taxes	\$ -	\$ -	\$ -	\$ -

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

# ZTEST Electronics Inc.

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## Notes to Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

March 31, 2024

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### 1. Business of the Company

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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 and other electronic equipment. The Company's shares trade on the Canadian Securities Exchange (CSE) under the symbol "ZTE".

### 2. Significant Accounting Policies

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#### 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, 2023.

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 Company's financial position and performance since June 30, 2023. 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, 2023.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on May 28, 2024.

#### Basis of presentation and going concern considerations

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, and in accordance with IFRS applicable to a going concern. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. If the going concern assumption were not appropriate for these unaudited condensed interim consolidated financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used.

#### 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 (PECO)	- 100%	owned
Northern Cross Minerals Inc.	- 66.7%	owned (inactive)
Twenty49 Ltd <sup>(1)</sup>	- 100%	owned (inactive)

<sup>(1)</sup> Articles of dissolution were filed, and a certificate of dissolution was obtained April 12, 2024.

#### 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.

**Notes to Unaudited Condensed Interim Consolidated Financial Statements**

(Stated in Canadian Dollars)

*March 31, 2024*

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**2. Significant Accounting Policies - continued**

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**Significant accounting judgments and estimates - continued**

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.

**Cash and cash equivalents**

Cash and cash equivalents include bank accounts as well as short-term, highly liquid investments that are readily convertible to known amounts of cash and so near their maturity, generally 90 days or less, that they present insignificant risk of changes in value because of changes in interest rates.

**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>
Bank operating loan	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Customer deposits	Amortized cost
Lease liability	Amortized cost
Long-term debt	Amortized cost

*Amortized cost* ó 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.

**Income (loss) per share**

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

## ZTEST Electronics Inc.

### Notes to Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

March 31, 2024

### 3. Inventories

The carrying value of inventory is comprised of:

	<b>Mar. 31 2024</b>	June 30 2023
Raw materials and supplies <sup>(1)</sup>	\$ 1,716,067	\$ 1,773,817
Work in process	50,007	36,812
Finished goods	31,266	19,324
	<b>\$ 1,797,340</b>	<b>\$ 1,829,953</b>

<sup>(1)</sup> Raw materials and supplies is presented net of provisions for obsolete and/or slow-moving items in the amount of \$90,319 (June 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 (loss) will be affected.

Inventory utilization during the period was as follows:

	<b>Mar. 31 2024</b>	Mar. 31 2023
Raw materials and supplies used	\$ 3,231,843	\$ 1,964,499
Labour costs	813,091	631,779
Depreciation	58,759	73,065
Other costs	138,931	134,738
Net change in finished goods and work in process	(25,137)	(506)
Cost of product sales	<b>\$ 4,217,487</b>	<b>\$ 2,803,575</b>

### 4 Equipment

	Computer Equipment	Office Equipment	Manufacturing Equipment	Leasehold Improvements	Total
<b>Cost:</b>					
Balance June 30, 2022	\$ 193,221	\$ 71,277	\$ 2,697,773	\$ 84,143	\$ 3,046,414
Additions	-	-	-	-	-
Balance March 31, 2023	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	1,804	-	-	-	1,804
Balance March 31, 2024	<b>\$ 195,025</b>	<b>\$ 71,277</b>	<b>\$ 2,697,773</b>	<b>\$ 84,143</b>	<b>\$ 3,048,218</b>
<b>Accumulated Depreciation:</b>					
Balance June 30, 2022	\$ (186,099)	\$ (70,747)	\$ (2,208,627)	\$ (76,043)	\$ (2,541,516)
Depreciation	(1,603)	(79)	(73,065)	(1,736)	(76,483)
Balance March 31, 2023	(187,702)	(70,826)	(2,281,692)	(77,779)	(2,617,999)
Depreciation	(533)	(27)	(24,355)	(579)	(25,494)
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	<b>\$ (189,546)</b>	<b>\$ (70,916)</b>	<b>\$ (2,364,806)</b>	<b>\$ (80,094)</b>	<b>\$ (2,705,362)</b>



## ZTEST Electronics Inc.

### Notes to Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

March 31, 2024

#### 4. Equipment - continued

##### Carrying Amounts:

June 30, 2022	\$	7,122	\$	530	\$	489,146	\$	8,100	\$	504,898
March 31, 2023	\$	5,519	\$	451	\$	416,081	\$	6,364	\$	428,415
June 30, 2023	\$	4,986	\$	424	\$	391,726	\$	5,785	\$	402,921
March 31, 2024	\$	<b>5,479</b>	\$	<b>361</b>	\$	<b>332,967</b>	\$	<b>4,049</b>	\$	<b>342,856</b>

#### 5. Right of use asset

The Company occupies its operating facility under a lease extension 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 remaining term of the lease and charged to net income as an element of occupancy costs (*note 12*). There have been no impairment losses and no remeasurement of the lease liability.

Balance June 30, 2022	\$	656,655
Depreciation recorded as an element of occupancy costs		(124,331)
Balance March 31, 2023		532,324
Depreciation recorded as an element of occupancy costs		(41,444)
Balance June 30, 2023		490,880
Depreciation recorded as an element of occupancy costs		(124,331)
Balance March 31, 2024	\$	<b>366,549</b>

#### 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%.

## ZTEST Electronics Inc.

### Notes to Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

March 31, 2024

#### 6. Investments - continued

	<b>Mar. 31 2024</b>	June 30 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)
<b>Aggregate investment</b>	<b>\$ 1</b>	<b>\$ 1</b>

#### 7. Operating loan

	<b>Mar. 31 2024</b>	June 30 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 ó 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 Company's 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, 2022	\$ 643,567
Lease payments paid during period	(132,414)
Interest imputed	14,647
Balance March 31, 2023	525,800
Lease payments paid during period	(45,269)
Interest imputed	4,207
Balance June 30, 2023	484,738
Lease payments paid during period	(135,810)
Interest imputed	10,519
Balance March 31, 2024	359,447
Less current portion	(176,685)
	<b>\$ 182,762</b>

#### 9. Long-Term Debt

	<b>Mar. 31 2024</b>	June 30 2023
Term loan bearing interest at 3.386% matures April 2026. Monthly payments of \$5,691, blended as to principal and interest, are required until maturity.	\$ 137,230	\$ 184,294
Canadian Emergency Business Account (CEBA) <sup>(1)</sup>	-	60,000
	<b>137,230</b>	244,294
Less: current portion	<b>64,638</b>	77,454
	<b>\$ 72,592</b>	<b>\$ 166,840</b>

## ZTEST Electronics Inc.

### Notes to Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

March 31, 2024

#### 9. Long-Term Debt - continued

<sup>(1)</sup> 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 March 31, 2024, are as follows:

2025	\$	64,638
2026		66,860
2027		5,732
	\$	<u>137,230</u>

#### 10. Commitments

The Company has placed an order for new machinery at a cost of US\$463,523, plus delivery and installation costs estimated to approximate \$10,000. The machinery is being manufactured outside of Canada and is expected to be delivered, installed, and fully operational prior to the end of May 2024. In accordance with the payment terms, payment of 30%, or US\$139,039 was made and is included in prepaid expenses on March 31, 2024. The remainder of the purchase price, and all related costs, are expected to be paid prior to the end of the fiscal year.

#### 11. Share Capital

##### Authorized

Unlimited Common shares

Unlimited Preferred shares in one or more series.

##### Issued

	Mar. 31 2024	June 30 2023
Common shares	\$ 24,421,726	\$ 24,064,236
<b>Common shares</b>	<b>Number of Shares <sup>(1)</sup></b>	<b>Amount</b>
Balance, June 30, 2023, Mar. 31, 2023, and June 30, 2022	24,227,196	\$ 23,859,872
Shares issued in settlement of debt	4,468,625	357,490
Balance, March 31, 2024	31,155,821	\$ 24,421,726

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

##### Details of warrants outstanding:

No warrants were outstanding on June 30, 2023 or issued up to March 31, 2024.

##### Details of options outstanding:

	Common Shares Under Option	Weighted Average Price per Option	Weighted Average Expiry Date
Balance, beginning of the period	1,275,000	\$ 0.10	Mar. 17, 2027
Options expired	(175,000)	\$ 0.10	Nov. 1, 2023
Options granted	350,000	\$ 0.27	Mar. 28, 2029
Balance, end of the period	1,450,000	\$ 0.14	Feb. 8, 2028

## ZTEST Electronics Inc.

### Notes to Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

March 31, 2024

#### 11. Share Capital - continued

##### Details of options outstanding-continued:

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

	<b>Mar. 31 2024</b>	June 30 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 March 31, 2024:

	Common Shares Under Option	Number of Options Vested	Exercise Price	Expiry Date
Granted September 30, 2022	1,100,000 <sup>(1,2)</sup>	1,100,000	\$ 0.10	Sep. 30, 2027
Granted March 28, 2024	250,000 <sup>(1)</sup>	250,000	\$ 0.27	Mar. 28, 2029
Granted March 28, 2024	100,000	100,000	\$ 0.27	Mar. 28, 2029

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

<sup>(2)</sup> 350,000 stock options were exercised after March 31, 2024.

##### 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 20% 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 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:

	<b>Mar. 31 2024</b>	June 30 2023
Contributed surplus, beginning of period	\$ 1,704,197	\$ 1,645,217
Stock options granted <sup>(1)</sup>	85,951	58,980
<b>Contributed surplus, end of period</b>	<b>\$ 1,790,148</b>	<b>\$ 1,704,197</b>

<sup>(1)</sup> Due to a computational error, the compensation amount related to the stock options granted September 2022 was originally reported as \$35,851. All comparative amounts have been revised to include this correction.

#### 12. Related Party Transactions and Balances

The Company had transactions during the periods presented 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.

	<b>Mar. 31 2024</b>	Mar. 31 2023
Employee and consultant compensation	\$ 348,655	\$ 256,252
Professional fees	43,161	21,105
	<b>\$ 391,816</b>	<b>\$ 277,357</b>
Stock-based compensation	\$ 61,394	\$ 54,355

On March 31, 2024 \$633,965 (June 30, 2023 - \$883,182) was payable to key management personnel and included in accounts payable and accrued liabilities.

## ZTEST Electronics Inc.

### Notes to Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

March 31, 2024

#### 13. Selling, general and administrative expenses

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

	<b>Mar. 31 2024</b>	Mar. 31 2023
Employee and consultant compensation ( <i>note 11</i> )	\$ 812,538	\$ 665,247
Occupancy costs ( <i>note 5</i> )	252,311	241,960
Professional fees ( <i>note 11</i> )	84,127	58,681
Shareholder services	15,718	21,983
Insurance	27,858	27,997
Other	38,947	40,334
	<b>\$ 1,231,499</b>	<b>\$ 1,056,202</b>

#### 14. Income Taxes

##### Current Income Tax

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

	<b>Mar. 31 2023</b>	Mar. 31 2022
Net income (loss) before income taxes	\$ 1,525,483	\$ (30,838)
Expected income tax (recovery)	\$ 404,253	\$ (8,172)
Amounts not deductible for income tax purposes	22,538	17,369
Temporary timing differences	(109,731)	(9,195)
Income tax expense - current	<b>\$ 317,060</b>	<b>\$ -</b>

##### Deferred Tax

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

	<b>Mar. 31 2024</b>	Mar. 31 2023
Deferred tax assets: Non-capital losses carried forward	\$ -	\$ 35,166
Deferred tax liabilities: Temporary timing differences	771	(35,166)
Net deferred tax liabilities	<b>\$ 771</b>	<b>\$ -</b>

##### 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:

	<b>Mar. 31 2024</b>	June 30 2023
Share issuance costs	\$ 327	\$ 1,313
Property, plant and equipment	24,275	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	1,912,010	2,312,531
Net capital loss carry-forwards	<b>15,592,989</b>	<b>15,592,989</b>

Share issue costs expire in 2024 and non-capital loss carry-forwards expire from 2030-2043. 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.

## ZTEST Electronics Inc.

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### Notes to Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

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#### 15. Capital disclosures

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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 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.

	<b>Dec. 31 2023</b>	June 30 2023
Long-term debt	\$ 137,230	\$ 244,294
Share Capital	24,421,726	24,064,236
Contributed surplus	1,790,148	1,704,197
Deficit	<b>(23,453,371)</b>	(24,661,022)
Net capital under management	<b>\$ 2,895,733</b>	<b>\$ 1,351,705</b>

#### 16. Financial risk factors

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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. 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, 2024 or March 31, 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 nine-month period ended March 31, 2024 the Company had two major customers who represented 19% and 16% of total revenues. In the comparative period, there were three major customers which represented 17%, 13% and 13% of revenues. Amounts due from major customers represented 55% of accounts receivable on March 31, 2024 (Mar. 31, 2023 - 65%). 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, 2024 the Company had current financial assets of \$2,915,729 (June 30, 2023 - \$1,190,379) available to settle current financial liabilities of \$2,595,977 (June 30, 2023 - \$2,315,614). The Company also has a bank operating line available in the amount of \$1,000,000 (June 30, 2023 - \$500,000), of which \$Nil (June 2023 - \$110,000) had been utilized on March 31, 2024. The Company manages its liquidity risk through the management of its capital (*note 15*) 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 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 \$4,948 (March 31, 2023 ó gain of \$9,944).

**Notes to Unaudited Condensed Interim Consolidated Financial Statements**

(Stated in Canadian Dollars)

March 31, 2024

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**16. Financial risk factors - continued**

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**Sensitivity to market risks**

On March 31, 2024, the Company had:

- A bank operating loan that had not been drawn upon (June 2023 - \$110,000), which bears interest predicated upon the TD Bank prime lending rate. Based upon the current amount due on the operating loan, a 1% increase in the TD Bank prime lending rate, as at the financial reporting date, would result in no additional interest expense over the next 12 month period.
- US\$189,806 (June 30, 2023 ó US\$183,892) 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 \$9,490 in future cash inflow.
- US\$343,226 (June 30, 2023 óUS\$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 \$17,161 in future cash outflow.

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

**17. Subsequent events**

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On April 5, 2024, the Company announced that it was undertaking a non-brokered private placement to raise up to \$500,000 through the issuance of up to 2,000,000 working capital units. Each working capital unit is comprised of one common share priced at \$0.25 and one-half of a common share purchase warrant. Each full warrant entitles the holder to acquire one common share at \$0.30 until eighteen months from the closing of the offering. It was subsequently announced that the offering was over-subscribed and was being increased to 5,000,000 working capital units to raise gross proceeds of up to \$1,250,000. On May 9, 2024, the Company further announced that this offering had closed with the issuance of 5,040,000 working capital units for gross proceeds of \$1,260,000. The Company paid finders' fees of \$54,845 and issued 219,380 broker warrants with each broker warrant entitling the holder to acquire one common share at \$0.25 until November 8, 2025.