

General

The following Management's Discussion and Analysis (MD&A) of the financial condition and results of operations of ZTEST Electronics Inc. (ZTEST or the Company) constitutes management's review of the factors that affected the Company's consolidated financial and operating performance for the year ended June 30, 2026. The MD&A was prepared as of October 6, 2026 and was approved by the Board of Directors on October 6, 2026. It should be read in conjunction with the consolidated financial statements of the Company for the year ended June 30, 2026, including the notes thereto. Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars.

Additional information about the Company can be found at www.sedarplus.com.

The Company

ZTEST is located at 523 McNicoll Avenue, Toronto, Ontario. Through its wholly owned subsidiary, Permotech Electronics Corporation (PEC), the Company operates a single business segment developing and assembling printed circuit boards and other electronic equipment. The Company's shares trade on the Canadian Securities Exchange under the symbol "ZTE" and on the OTCID under the trading symbol ZTSTF.

The Company held its annual general meeting on October 24, 2025, resulting in the re-election of four incumbent directors. The Board met subsequent to the annual general meeting during which the Officers of the Company were reappointed, and the Audit Committee and Compensation Committee were each re-formed. In December 2025 the Board opted to expand from four directors to five, and added Trevor Treweeke, an independent director, who was subsequently added to the Compensation Committee. In June 2026, Steve Smith resigned as President and Chief Executive Officer and as a director of the corporation, David Barnett was appointed as Chair of the Board, and Stephen Harpur was appointed to fill the Board vacancy. Stephen Harpur was then added to the Audit Committee in August 2026 when David Barnett was named President and Chief Executive Officer and stepped down from the Audit Committee and Compensation Committee. The Company's management is currently:

Name	Position(s)
David Barnett ⁽³⁾	Board Chair, President & Chief Executive Officer
William R. Johnstone, LLB ^(1*)	Director & Corporate Secretary
Dean Tyliakos ^(1, 2, 3)	Director (Independent)
Trevor Treweeke ⁽²⁾	Director (Independent)
Stephen Harpur ⁽¹⁾	Director (Independent)
Michael D. Kindy, CPA	VP Finance & Chief Financial Officer
Suren Jeyanayagam ⁽³⁾	President of PEC

* Acts as Committee Chair

⁽¹⁾ Member of the Audit Committee

⁽²⁾ Member of the Compensation Committee

⁽³⁾ Director of PEC

Corporate Performance

The 2026 fiscal year ended favourably with revenues in the fourth quarter being greater than they had been in any of the seven preceding fiscal quarters and over 18% more than they had been in the final quarter of 2025. The fourth quarter also helped propel annual revenue growth of 10.6% for the 2026 fiscal year, in comparison to 2025. It was noted following the third quarter that although challenges remain, there were signs that the general decline in the electronics product market may be abating and the enhanced revenues support that assertion. The electronics product market does continue to be impacted by tariffs and counter tariffs, as well as supply chain issues related to artificial intelligence and the war in Iran, but to date the impact of these factors have proven to be manageable, resulting in growth in 2026 and optimism going forward.

Corporate Performance - continued

The seemingly ever-changing tariff environment has undermined confidence in the electronics market for the better part of two years but the revenue increase we realized in 2026 supports the belief that the market is adapting. The printed circuit boards produced by the Company have not been subject to any direct tariffs thus far, and with over 99% of 2026 revenues relating to domestic shipments it seems improbable that they will be to any significant degree. However, that does not mean the tariff environment has had no impact upon the Company, only that growth in domestic revenues in 2026 exceeded the decline in export revenues, which had accounted for almost 3% of total revenues in 2025. We maintain continuous dialogue with existing and prospective customers, both domestic and outside Canada, attempting to stay informed about the impact tariffs or other political factors may have on their future orders and to determine what we may be able to do to assist them.

While securing customer orders is a primary focus, we also recognize that we must be able to meet our commitment to fulfill those orders to convert them into revenues. This means staying abreast of any existing or emerging supply chain issues and communicating any potential impact of those issues to customers at the earliest possible time. Artificial intelligence has placed high demand on many electronic products, and this has or is expected to result in enhanced lead times for certain electronic components. Further, the supply of certain base elements used in the manufacture of bare circuit boards has been disrupted by the war in Iran and this could translate into challenges for the Company to procure the boards necessary to complete an assembly. These supply challenges make it necessary to monitor developments by staying in constant communication with suppliers, to seek out potential alternate sources of supply, and to communicate our findings to customers to allow them to potentially accelerate orders or take other steps in concert with us in an effort to avoid disruption to their business.

Market challenges have and will always exist, and apply equally to us and our competition. We recognize that and make a concerted effort to remain diligent and to identify those challenges as or before they emerge. We then take a proactive approach to communicate our knowledge and interpretations to existing and prospective customers so that all may make more informed decisions. We then work with customers, striving for mutually beneficial ways to minimize the impact of those challenges. These solutions may include adapting between turnkey, partial turnkey, or non-turnkey services, or accelerated partial or full deliveries, or other adaptations. We believe our proactive approach and our flexibility are two elements of our superior customer service that sets us apart from many of our competitors and endears us to our customers.

Our operational focus remained consistent throughout 2026 however it was also a year that included administrative change. First, following our shareholder meeting held October 2025, the Board of Directors was expanded from four individuals to five by adding a fourth independent director. Then in June of 2026 our CEO of the past eight years departed and resigned as a director. The ZTEST Board moved quickly to fill the resulting vacancy with another independent director, to name a new Chair of the Board, and to initiate a search for a new CEO. That search led to the appointment of one of the existing directors to the position of President and CEO in August of 2026. The new Board of ZTEST believes that the combined expertise of its members, in combination with the new CEO, make it better equipped than ever to deliver tangible value to its shareholders.

Administrative changes of this nature are never easy and usually come at a cost which, in this case, involved a retiring allowance being payable to the outgoing CEO. The full value of that retiring allowance was charged against income in the fourth quarter of 2026 thereby reducing net income for that period, and for the 2026 fiscal year. Even though the gross margin percentage grew to 42.7% in the final quarter of 2026, as opposed to 41.2% the year before, net income for the period still declined from \$299,569 in Q4 2025 to \$123,096 in Q4 2026. On the strength of a gross margin percentage of 43.1%, annual net income rose 7% in 2026, having grown to \$1,162,251 from \$1,088,750 the year before. Absorbing costs of this nature are impactful upon income figures in the immediate term but management believes that the year over year revenue growth realized and the continued growth in gross margin percentage have the Company well positioned to soon be able to show the fourth quarter income results to be well below the norm.

Corporate Performance - continued

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

	For the fiscal years ended:			
	June 2026	June 2025	June 2024	
Total Revenues	9,199,804	8,319,302	9,756,044	
Net income for the year	1,162,251	1,088,750	1,753,269	
Per share - basic	0.032	0.030	0.058	
Total assets	9,636,423	7,197,418	7,007,632	
Total long-term financial liabilities	963,159	154,516	359,173	
Total liabilities	2,450,061	1,390,801	2,510,914	

	For the fiscal quarters ended:			
	June 2026	Mar. 2026	Dec. 2025	Sept. 2025
Total Revenues	2,495,236	2,399,624	2,481,516	1,823,428
Net income for the period	123,096	376,288	425,913	236,954
Per share - basic	0.003	0.010	0.012	0.006
Total assets	9,636,423	9,630,262	7,878,522	7,691,708
Total long-term financial liabilities	963,159	997,071	131,686	144,042
Total liabilities	2,450,061	2,640,100	1,346,617	1,641,261

	For the fiscal quarters ended:			
	June 2025	Mar. 2025	Dec. 2024	Sept. 2024
Total Revenues	2,113,637	2,105,297	2,080,861	2,019,507
Net income for the period	299,569	256,457	208,604	324,120
Per share - basic	0.008	0.007	0.006	0.009
Total assets	7,197,418	7,476,280	7,252,891	7,004,461
Total long-term financial liabilities	154,516	145,858	233,571	288,346
Total liabilities	1,390,801	1,926,621	2,073,420	2,133,613

There were no cash dividends paid or accrued during any of the periods noted above.

Earnings before interest, taxes, depreciation, and amortization (EBITDA), and EBITDA per share, are non-IFRS financial measures. The following non-IFRS financial measures are presented as management believes it may provide stakeholders with additional information. These non-IFRS financial measures may be calculated differently from, and therefor may not be comparable to, similarly titled measures used by other companies. These non-IFRS financial measures should not be considered in isolation as a substitute for, or as superior to, financial measures calculated in accordance with IFRS.

	For the fiscal years ended:		
	June 2026	June 2025	June 2024
Net income for the year	1,162,251	1,088,750	1,753,269
Income tax provision	464,639	374,415	506,239
Interest expense i cash based	1,223	3,281	8,135
Interest expense i lease liability	14,174	7,422	13,308
Depreciation of equipment	162,559	197,235	152,326
Depreciation of right of use asset	176,209	165,774	165,775
EBITDA	1,981,055	1,836,877	2,599,052
Weighted average shares outstanding - basic	36,879,887	36,876,303	30,163,036
EBITDA per share - basic	0.054	0.050	0.086

Corporate Performance - continued

	June 2026	For the fiscal quarters ended:		
		Mar. 2026	Dec. 2025	Sept. 2025
Net income for the period	123,096	376,288	425,913	236,954
Income tax provision	69,814	159,178	152,077	83,570
Interest expense i cash based	230	179	335	479
Interest expense i lease liability	12,617	131	520	906
Depreciation of equipment	40,769	40,342	40,747	40,701
Depreciation of right of use asset	51,878	41,443	41,444	41,444
EBITDA	298,404	617,561	661,036	404,054
Weighted average shares outstanding - basic	36,939,448	36,936,701	36,745,088	36,775,121
EBITDA per share - basic	0.008	0.017	0.018	0.011

	June 2025	For the fiscal quarters ended:		
		Mar. 2025	Dec. 2024	Sept. 2024
Net income for the period	299,569	256,457	208,604	324,120
Income tax provision	98,040	75,597	99,129	101,649
Interest expense i cash based	612	748	891	1,030
Interest expense i lease liability	1,289	1,669	2,045	2,419
Depreciation of equipment	52,975	48,333	47,963	47,964
Depreciation of right of use asset	41,443	41,444	41,444	41,443
EBITDA	493,928	424,248	400,076	518,625
Weighted average shares outstanding - basic	36,892,261	37,111,932	36,815,386	36,689,299
EBITDA per share - basic	0.013	0.011	0.011	0.014

Results of Operations

Revenues for the final quarter of 2026 amounted to \$2,495,236, representing an increase of more than 18% year over year. This was the third consecutive fiscal quarter with year over year growth and the highest quarterly revenue amount reported in twenty four months. Similarly, revenues for the 2026 year were \$9,199,804, approaching the record revenues reported for the 2024 fiscal year and up almost 11% compared to 2025. With enhanced revenues one would also anticipate growth in the gross margin and that occurred in 2026 when gross margin rose almost 15%, going from \$3,456,883 in 2025 to \$3,967,638 in 2026. This annual figure for 2026 includes \$1,065,814 realized in the final quarter, up more than 22% over the \$871,074 reported in Q4 2025.

There are many factors that impact upon gross margins and gross margin percentages in any given period including that every product produced by the Company is custom and is therefore a unique combination of components, labour and testing. Market factors like inflation and exchange rates also have an impact as do periodic production volumes, product mix between turnkey and non-turnkey, average order size, average complexity, and other factors. To better understand the gross margins realized, one must look more closely at cost of product sales. The different elements of cost of product sales for the periods ended June 30 were as follows:

Years ended	2026	2025	Change
Raw materials and supplies consumed	\$ 3,892,001	\$ 3,531,470	\$ 360,531
Labour costs incurred	982,608	941,919	40,689
Depreciation	154,511	186,624	(32,113)
Shipping and packaging	137,358	128,056	9,302
Stencils and tooling	36,227	27,216	9,011
Repairs and maintenance	17,863	34,578	(16,715)
Net change in finished goods and work in process	11,598	12,556	(958)
Total cost of product sales	\$ 5,232,166	\$ 4,862,419	\$ 369,747

Results of Operations - continued

Three month periods ended	2026	2025	Change
Raw materials and supplies consumed	\$ 1,085,797	\$ 907,848	\$ 177,949
Labour costs incurred	259,355	236,030	23,325
Depreciation	38,639	50,143	(11,504)
Shipping and packaging	32,032	33,544	(1,512)
Stencils and tooling	12,172	5,586	6,586
Repairs and maintenance	5,688	10,161	(4,473)
Net change in finished goods and work in process	(4,262)	(1,749)	(2,513)
Total cost of product sales	\$ 1,429,421	\$ 1,241,563	\$ 187,858

The cost of raw materials and supplies consumed in the final quarter of 2026 rose more than 19% year over year, while costs for the entire 2026 fiscal year were up just over 10% in comparison to 2025. There is a general expectation that the cost of materials will rise any time that turnkey revenues increase and that is certainly true in this case as turnkey revenues rose almost 13% in Q4 2026 versus Q4 2025 and almost 21% for the 2026 year compared to 2025. There is never absolute correlation between materials costs and the related revenues due to every order being custom, requiring a distinct set of components at varying costs, and the presence of various market fluctuations that impact upon those costs. Further, the revenues produced by each turnkey order are also reflective of the amounts of labour required to complete the assembly, the nature and extent of testing required, and even the cost of packaging that is necessary to ensure safe shipment. The total materials costs incurred in each of the periods presented are consistent with management expectations.

Labour costs also have the tendency to rise whenever total revenues increase, particularly in periods when materials are in line with general expectations. In this instance the 2026 labour costs rose more than 4% annually and almost 9.5% in the final quarter, when compared to the same periods of 2025, and supported the revenue increases of almost 11% and just over 18% for the same periods. These cost increases are a mix of increases in the average cost per hour and the total production hours as labour hours increased more than 3% for the 2026 year, and over 8% in the final quarter while the average cost per hour rose just over 1% annually and just under 1% when comparing the final quarters of each year. Management makes every effort, and will continue to make every effort, to adjust the volume and the nature of its labour supply based upon current and expected future labour demand.

The net change in finished goods and work in process is a measure of the change in labour costs included in inventory. Although this inventory figure includes an element of overhead it still must be combined with labour costs incurred to be indicative of the net labour costs included in cost of product sales. The aggregate cost for the 2026 fiscal year was \$994,206 or just over 4% greater than the total of \$954,475 incurred in 2025. For the final quarter of 2026 the combined cost was \$255,093, up close to 9% from the aggregate cost of \$234,281 in Q4 2025. Once again, these cost increases are in line with expectations given the annual revenue increase of almost 11% and just over 18% for the final quarter of 2026 compared to Q4 2025.

Depreciation costs have decreased in line with expectations. The Company's most recent major equipment acquisition was completed in the final quarter of the 2024 fiscal year which resulted in increased depreciation charges in the period of acquisition, and throughout fiscal 2025, then declining thereafter. The long useful life of production equipment means replacement happens infrequently however the Company continuously monitors its equipment requirements, along with advancements and availability within the equipment market, and will expand or enhance its equipment whenever it is prudent to do so.

Shipping and packaging costs increased more than 7% for the 2026 year, compared to 2025, even though costs in the final quarter of 2026 were more than 4% lower than the final quarter of 2025. This marks the 2nd consecutive quarter for which costs declined year over year in large part because the previous trend towards smaller and more frequent shipments has stopped. There is also some indication that the rapid escalation in shipping rates that we previously experienced has slowed considerably. Packaging costs, which only account for approximately 12% of the total, also tend to vary based upon the specific packaging required for orders being produced and because packaging is charged to income at the time of purchase as opposed to being inventoried. All shipping and packaging costs are continuously monitored, and all costs are within expectations.

Results of Operations - continued

Stencils and tooling are primarily incurred at the time that the Company prepares for assembly of boards that it has never produced before. The initial production work for these new boards may be in the current period, or in the following periods, potentially followed by subsequent re-orders as stencils and tooling typically have a long lifespan. The cost increases incurred in fiscal 2026, including the rise in the final quarter, indicate that the number of new boards being ordered has risen.

Repairs and maintenance costs primarily reflect routine work performed to ensure all equipment continues to run at peak performance. The lower costs incurred in the June 2026 periods is reflective of the Company's equipment being in fine working order.

Selling, general and administrative expenses for the periods ended June 30 were as follows:

Years ended	2026	2025	Change
Employee and consultant compensation	\$ 1,559,009	\$ 1,252,351	\$ 306,658
Occupancy costs	344,782	338,892	5,890
Professional fees	169,817	157,139	12,678
Shareholder services	55,470	41,702	13,768
Travel and promotional activities	51,185	30,049	21,136
Insurance	40,962	39,994	968
Office and general expenses	37,845	34,576	3,269
Total selling, general and administrative	\$ 2,259,070	\$ 1,894,703	\$ 364,367

Three month periods ended	2026	2025	Change
Employee and consultant compensation	\$ 629,311	\$ 320,758	\$ 308,553
Occupancy costs	91,088	83,070	8,018
Professional fees	56,658	43,085	13,573
Shareholder services	9,153	8,519	634
Travel and promotional activities	16,582	339	16,243
Insurance	10,107	10,284	(177)
Office and general expenses	10,522	9,307	1,215
Total selling, general and administrative	\$ 823,421	\$ 475,362	\$ 348,059

Employee and consultant compensation costs include salaries and benefits, retiring allowances, consulting fees, sales commissions, and directors' fees. Most of the increase for the 2026 year, and for the final quarter of the 2026 year, is attributable to a retiring allowance that became payable to the Company's former CEO upon his departure mid-June 2026. In fact, the temporary vacancy at CEO for the remainder of the year, along with the retirement of an individual in Q4 2025 who was not replaced, both contributed to salaries and benefits being lower in the 2026 periods than they had been in 2025. Meanwhile consulting fees, sales commissions and directors' fees were each higher in the 2026 periods than they had been in the 2025 periods. Consulting fees included final billings in the fourth quarter of 2026 related to fees that had been under accrued in previous periods, sales commissions were applicable to higher sales values in the 2026 periods, and there were more directors eligible to receive directors' fees in the 2026 periods.

Occupancy costs had been relatively comparable period to period however the Company entered into a new five year lease extension that commenced April 1, 2026. While the Company believes the payments required under this new lease extension are favourable in relation to prevailing market rates, they still exceed the payments that had been required under the expiring lease. These higher payments are the basis upon which the new right of use asset is recognized and depreciation of that right of use asset over the lease term is a significant element of occupancy costs. It is these higher depreciation amounts in Q4 2026 which account for most of the increase. Occupancy costs also include common area costs and utility costs which may also vary based on usage and rate changes however it is anticipated that occupancy costs will remain relatively comparable going forward.

Results of Operations - continued

Professional fees are comprised of fees for legal services, costs related to the annual financial statement audit, and fees for reporting required by the Company's financial institution and the filing of annual income tax returns. Legal fees were higher in the final quarter of 2026 than they had been one year earlier, which translated into higher costs for the 2026 year, due in part to the renewal of the Company's Normal Course Issuer Bid in April 2026 and the departure of the former CEO in June 2026. Audit fees were unexpectedly up more than 17% in 2025, with a disproportionate part of those fees being recognized in the final quarter of 2025 which caused costs for that quarter to exceed the costs of Q4 2026, even though fees for the entirety of 2026 did rise by 5%. Fees for reporting required by the Company's financial institution and the filing of annual income tax returns have remained consistent.

Shareholder services encompass all stock exchange fees, all transfer agent and similar fees, and all costs related to public disclosures and the dissemination of news. These fees were marginally higher in the final quarter of 2026, and generally higher throughout 2026 due to higher rates and volumes. In addition, the costs associated with the shareholders' meeting held October 2025 exceeded the costs of the July 2024 meeting further contributing to the rise in costs for the 2026 year.

Travel and promotional fees include costs related to the Company's attendance at investor conferences, including one attended in April 2026, as well as travel costs related to the shareholders' meetings held October 2025 and July 2024.

Insurance costs reflect minor premium variances related to continuing business and liability insurance policies. There has been no alterations in the nature of the insurance coverages that Company maintains although certain limits have been increased based on enhanced operating volumes.

Office and general expenses are closely monitored, are within management expectations, and are generally consistent from period to period.

The costs of financing for the periods ended June 30 were as follows:

Years ended	2026	2025	Change
Interest expense - long term	\$ 757	\$ 2,960	\$ (2,203)
Interest expense - other	466	321	145
Interest expenses - lease liability	14,174	7,422	6,752
Total financing expenses	\$ 15,397	\$ 10,703	\$ 4,694

Three month periods ended	2026	2025	Change
Interest expense - long term	\$ 5	\$ 529	\$ (524)
Interest expense - other	225	83	142
Interest expenses - lease liability	12,617	1,289	11,328
Total financing expenses	\$ 12,847	\$ 1,901	\$ 10,946

The Company initiated term financing in April 2021 in relation to the acquisition of new equipment and made all regular monthly payments until it was paid out upon its maturity in April 2026. The reduction in interest costs is reflective of the declining balance of the loan.

Interest expense - other represents miscellaneous interest charges incurred. This would also include interest related to the Company's bank operating line if it were used but there has been no usage of that facility since November 2023.

Interest expense - lease liability represents imputed interest costs on the lease liability arising from the Company's operating facility lease. These costs had been declining as the former lease obligation expired March 31, 2026 but was immediately replaced by a new obligation which commenced April 1, 2026 and will expire March 31, 2031. As with most obligations, interest is highest at inception and will decline steadily over the remaining lease term.

Liquidity

On June 30, 2026, the Company had working capital of \$6,491,510 (2025 - \$5,008,284) and current financial assets of \$6,710,779 (2025 - \$5,132,451) available to settle current financial liabilities of \$1,486,902 (2025 - \$1,236,285). The Company also has access to a \$1,000,000 (2025 - \$1,000,000) bank operating line, of which \$Nil (2025 - \$Nil) had been drawn as of June 30, 2026.

In addition to satisfying the cost of operations, the Company must also address the settlement of the following obligation at June 30, 2026:

	2027	Due by June 30:			Due after June 2030	Total Due
		2028	2029	2030		
Lease liability ⁽¹⁾	\$ 166,220	\$ 188,699	\$ 212,332	\$ 237,176	\$ 193,680	\$ 998,107

Capital Resources

The Company has a \$1,000,000 commercial line of credit from which \$Nil (2025 - \$Nil) was drawn on June 30, 2026. The loan bears interest at the TD Bank prime lending rate plus 1.5% (2025 i prime plus 1.8%), is due upon demand, and is secured by a general security agreement covering the assets of PEC.

The following transactions involving the Company's securities have occurred since June 30, 2025:

- 219,380 broker warrants were exercised for cash proceeds of \$54,845;
- 2,370,000 share purchase warrants expired;
- 100,000 stock options granted to a consultant to the Company on January 17, 2025 had their expiry date reduced from January 17, 2030 to August 15, 2026, being one year after the consultant's services ceased;
- 50,000 stock options were exercised for cash proceeds of \$13,500;
- 800,000 stock options were granted to Directors, officers and employees of the Company and its subsidiary which may be exercised at \$0.28 until December 15, 2030. 400,000 of these options vested June 15, 2026 and 300,000 will vest December 15, 2026 provided the holders remain with the Company on that date. On June 17, 2026, 100,000 of the vested options had their expiry date reduced to December 13, 2026 and 100,000 unvested options expired due to the holder's resignation as a Director of the Company;
- 100,000 stock options were granted to a Director of the Company. These options, which may be exercised at \$0.385 until June 22, 2031, will vest as to 50% on December 22, 2026 and 50% on June 22, 2027 provided the holder remains a Director of the Company on those dates;
- The Company repurchased and cancelled 78,000 common shares under its NCIB for \$19,072, including commissions;
- The Company repurchased 3,000 common shares under its NCIB for \$1,070, including commissions. These shares were cancelled after June 30, 2026.

After June 30, 2026:

- The Company repurchased and cancelled 99,000 common shares under its NCIB for \$35,961, including commissions;
- 325,000 stock options were exercised for cash proceeds of \$95,000;
- 100,000 stock options held by a former consultant expired;
- 600,000 stock options were granted to the CEO of the Company and may be exercised at \$0.45 until August 24, 2032. 100,000 of these options will vest on each of the first three anniversaries of the grant while the remaining 300,000 options will vest immediately upon the Company's share price achieving a 30-day volume weighted average trading price of \$0.675. All vesting is dependent upon the CEO continuing to be employed by the Company as of the vesting dates;
- 600,000 stock options were granted to the Directors of the Company, excluding the CEO, and may be exercised at \$0.45 until August 24, 2032. 50% of these options will vest February 24, 2027 with the remaining 50% vesting August 24, 2027, provided the holders remain a Director of the Company on those dates.

ZTEST Electronics Inc.

Management's Discussion and Analysis

For The Year Ended June 30, 2026

(Prepared as of October 6, 2026)

**Related Party Transactions**

The Company had transactions during the periods with key management personnel including salaries paid to Steve Smith (former President and CEO) and Mike Kindy (CFO), salaries and benefits paid to Suren Jeyanayagam (President of PEC), consulting fees paid to Mike Kindy (CFO), accounting fees paid to Michael D. Kindy, CPA (CFO), directors' fees paid to Directors of the Company, legal fees paid to a legal firm in which William R. Johnstone (Director and Corporate Secretary) is a partner, and share-based payments related to key management personnel.

Compensation rates are agreed to by the related parties and are predicated upon prevailing market rates. The following expenses, involving these related parties, have arisen during the reporting periods:

Years ended	2026	2025	Change
Salaries and benefits ⁽¹⁾	\$ 555,059	\$ 516,183	\$ 38,876
Consulting fees ⁽¹⁾	54,371	-	54,371
Directors' fees ⁽¹⁾	52,500	44,500	8,000
Legal fees ⁽²⁾	91,591	82,664	8,927
Accounting fees ⁽²⁾	6,000	6,000	-
Cash based expenditures	\$ 759,521	\$ 649,347	\$ 110,174
Share-based payments	\$ 149,031	\$ 175,048	\$ (26,017)

⁽¹⁾ Charged to net income as an element of employee and consultant compensation.

⁽²⁾ Charged to net income as an element of professional fees.

The following balances are due to related parties, and were reported in the consolidated financial statements as an element of accounts payable and accrued liabilities, on June 30 of each year:

	2026	2025	Change
Salaries and benefits payable	145,426	119,849	25,577
Consulting fees payable	61,362	184,567	(123,205)
Directors' fees payable	1,750	-	1,750
Legal fees payable	16,808	4,865	11,943
	225,346	309,281	(83,935)

The following stock options held by Directors and/or Officers of the Company and were outstanding on June 30, 2026:

Description	Expiry Date	Number of Common Shares
Stock options @ \$0.10 per share	Sep. 30, 2027	300,000
Stock options @ \$0.27 per share	Mar. 28, 2029	250,000
Stock options @ \$0.30 per share	Aug. 15, 2029	600,000
Stock options @ \$0.28 per share ⁽¹⁾	Aug. 15, 2029	600,000
Stock options @ \$0.385 per share ⁽²⁾	Aug. 15, 2029	100,000

⁽¹⁾ 50% of these options had vested as of June 30, 2026 and the remaining 50% will vest December 15, 2026, provided the holders remain with the Company on that date.

⁽²⁾ These options will vest as to 50% on December 22, 2026 with the remainder vesting June 22, 2027, provided the holder remains with the Company on those dates.

Convertible Instruments and Other Securities

The Company has the following securities issued and outstanding:

Common shares issued:	Quantity	Amount
Balance, June 30, 2024	36,545,821	\$ 25,186,285
Stock options exercised	450,000	65,817
Warrants exercised	150,000	67,844
Shares repurchased under NCIB and cancelled	(350,500)	(238,913)
Balance, June 30, 2025	36,795,321	\$ 25,081,033

Common shares issued:	Quantity	Amount
Balance, June 30, 2025	36,795,321	\$ 25,081,033
Stock options exercised	50,000	25,779
Warrants exercised	219,380	115,288
Shares repurchased under NCIB and cancelled	(81,000)	(55,209)
Balance, June 30, 2026	36,983,701	25,166,891
Stock options exercised	325,000	172,073
Shares repurchased under NCIB and cancelled	(99,000)	(67,368)
Balance, as at the date of this document	37,209,701	\$ 25,271,596

The Company has the following common shares reserved to satisfy the potential exercise of the following:

Common shares reserved:	Expiry Date	Common Shares
To be issued for Class A shares ⁽¹⁾		8,246
Stock options @ \$0.30 per share	Dec. 2026	200,000
Stock options @ \$0.28 per share	Dec. 2026	100,000
Stock options @ \$0.10 per share	Sep. 2027	300,000
Stock options @ \$0.27 per share	Mar. 2029	300,000
Stock options @ \$0.30 per share	Aug. 2029	600,000
Stock options @ \$0.40 per share	Aug. 2026	100,000
Stock options @ \$0.28 per share	Aug. 2029	700,000
Stock options @ \$0.385 per share	June 2031	100,000
Shares reserved, June 30, 2026		2,408,246
Stock options @ \$0.28 per share exercised	Aug. 2029	(125,000)
Stock options @ \$0.30 per share exercised	Dec. 2026	(200,000)
Stock options @ \$0.40 per share expired	Aug. 2026	(100,000)
Stock options @ \$0.45 granted	Aug. 2031	1,200,000
Shares reserved, at the date of this document		3,183,246

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

Fully diluted number of shares	Quantity
Shares issued to June 30, 2026	36,983,701
Shares reserved on June 30, 2026	2,408,246
Fully diluted number of shares, June 30, 2026	39,391,947
Shares issued after June 30, 2026	325,000
Shares repurchased after June 30, 2026 under NCIB, and cancelled	(99,000)
Change in shares reserved after June 30, 2026	775,000
Fully diluted number of shares, as at the date of this document	40,392,947

Convertible Instruments and Other Securities - continued

The following provides additional details with respect to share purchase warrants:

	Number of Warrants	Weighted Average Price per Warrant	Weighted Average Expiry Date
Balance, June 30, 2024	2,739,380	\$ 0.30	Nov. 8, 2025
Warrants exercised during the year	(150,000)	0.30	Nov. 8, 2025
Balance, June 30, 2025	2,589,380	\$ 0.30	Nov. 8, 2025
Broker warrants exercised during the year	(219,380)	0.25	Nov. 8, 2025
Warrants expired during the year	(2,370,000)	0.30	Nov. 8, 2025
Balance, June 30, 2026 and at the date of this document	-	\$ -	-

Additional disclosures relative to stock options are as follows:

	Common Shares Under Option	Weighted Average Price per Option	Weighted Average Expiry Date
Balance, June 30, 2025	1,550,000	\$ 0.26	Mar. 13, 2029
Stock options granted during the year	1,000,000	0.29	Jan. 2, 2031
Stock options altered during the year ⁽¹⁾	(300,000)	0.29	Jan. 24, 2030
Stock options altered during the year ⁽¹⁾	300,000	0.29	Dec. 13, 2026
Stock options altered during the year ⁽²⁾	(100,000)	0.40	Jan. 17, 2030
Stock options altered during the year ⁽²⁾	100,000	0.40	Aug. 15, 2026
Stock options expired during the year ⁽³⁾	(100,000)	0.28	Dec. 15, 2030
Stock options exercised during the year	(50,000)	0.27	Mar. 28, 2029
Balance, June 30, 2026	2,400,000	\$ 0.27	May 6, 2029
Stock options granted after June 30, 2026	1,200,000	0.45	Aug. 24, 2032
Stock options exercised after June 30, 2026	(325,000)	0.27	Apr. 24, 2027
Stock options expired after June 30, 2026	(100,000)	0.40	Aug. 15, 2026
Balance, at the date of this document	3,175,000	\$ 0.33	Nov. 22, 2030

⁽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.

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

⁽³⁾ These stock options, which had not yet vested, expired when the holder resigned as a Director of the Company prior to their vesting date.

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

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

Convertible Instruments and Other Securities - continued

The following stock options are outstanding at the date of this document:

	Common Shares Under Option	Number of Options Vested		Exercise Price	Expiry Date
Granted September 30, 2022	300,000 ⁽¹⁾	300,000	\$	0.100	Sep. 30, 2027
Granted March 28, 2024	250,000 ⁽¹⁾	250,000	\$	0.270	Mar. 28, 2029
Granted March 28, 2024	50,000	50,000	\$	0.270	Mar. 28, 2029
Granted August 15, 2024	600,000 ⁽¹⁾	600,000	\$	0.300	Aug. 15, 2029
Granted Dec. 15, 2025	600,000 ^(1,2)	300,000	\$	0.280	Dec. 15, 2030
Granted Dec. 15, 2025	75,000 ⁽³⁾	25,000	\$	0.280	Dec. 15, 2030
Granted June 22, 2026	100,000 ⁽⁴⁾	-	\$	0.385	June. 22, 2031
Granted Aug. 24, 2026	600,000 ^(1,5)	-	\$	0.45	Aug. 24, 2032
Granted Aug. 24, 2026	600,000 ^(1,6)	-	\$	0.45	Aug. 24, 2032

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

(2) These options had vested as to 50% by June 30, 2026, and the remaining 50% will vest Dec. 15, 2026, provided the holders remain with the Company on that date.

(3) 25,000 options had vested by June 30, 2026, and the remaining 50,000 will vest Dec. 15, 2026, provided the holders remain with the Company on that date.

(4) These options will vest as to 50% on December 22, 2026, with the remaining 50% vesting June 22, 2027, provided the holder remains a Director of the Company on those dates

(4) These options will vest as to 100,000 on each of the first three anniversaries of the grant and 300,000 immediately upon the Company's share price achieving a 30-day volume weighted average trading price of \$0.675, provided the holder remains CEO of the Company on those dates.

(4) These options will vest as to 50% on February 24, 2027, with the remaining 50% vesting August 24, 2027, provided the holder remains a Director of the Company on those dates.

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

Financial instruments

The Company's financial instruments are comprised of the following:

<u>Financial assets:</u>	<u>Classification</u>
Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
<u>Financial liabilities:</u>	<u>Classification</u>
Accounts payable and accrued liabilities	Amortized cost
Government remittances payable	Amortized cost
Customer deposits	Amortized cost
Lease liability	Amortized cost
Long-term debt	Amortized cost

Amortized cost - The amount at which a financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit losses.

The effective interest method - The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount on initial recognition.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss.

Where such an indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the income for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in income for the period.

Impairment of Investments

Non-controlling interests, which are not financial instruments, and are less than a 20% ownership interest, are considered impaired when the carrying amount exceeds the recoverable amount. Non-controlling interests, which are not financial instruments, and are equal to or exceeding a 20% ownership interest (an equity instrument) is considered impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occur after the initial recognition of the asset (a "loss event") and that loss event, or events, has an impact on the estimated future cash flows of the non-controlling interest that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognized.

Some items that may be taken into consideration in determining whether a loss event has occurred include significant financial difficulty of the investee, a breach of contract such as a default or delinquency in payments by the investee, it becomes probable that the investee will enter bankruptcy or other financial reorganization, or significant changes 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. During the year there were no loss events, nor any events that would cause a reversal, in whole or in part, of the impairment provision recognized during prior financial periods.

Risk Factors

Events seemingly unrelated to the Company, or to its industry, may adversely affect its finances or operations in ways that are hard to predict or defend against. For example, credit contraction in financial markets may hamper the Company's ability to access credit when needed or rapid changes in foreign exchange rates may adversely affect its financial results. Finally, a reduction in credit, combined with reduced economic activity, may adversely affect businesses and industries that constitute a significant portion of the Company's customer base. As a result, these customers may need to reduce their purchases, or the Company may experience greater difficulty in collecting amounts due from them. Any of these events, or others caused by uncertainty in world financial markets, may have a material adverse effect on the Company's business, operating results, and financial condition.

In addition to the foregoing, the Company is exposed to credit risk, concentration of credit risk, liquidity risk, and market risks. The Company's primary risk management objective is to protect earnings and cash flow and, ultimately, shareholder value. Risk management strategies, as discussed below, are designed and implemented to ensure that the Company's risks and the related exposure are consistent with its business objectives and risk tolerance. There have been no changes to the risk management strategies during the 2026 fiscal year, or subsequent thereto.

Risk Factors - continued

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its accounts receivable. In an effort to mitigate this risk, management actively manages and monitors its receivables and obtains pre-payments where warranted. It has been determined that no allowance is required, as all amounts outstanding are considered collectible. The Company incurred no bad debts during the years ended June 30, 2026 and June 30, 2025.

Concentration of credit risk

Concentration of credit risk arises when one or more customers, defined as a major customer, individually account for 10% or more of the Company's revenues during a reporting period. During the current year, the Company had three major customers which represented 19%, 13% and 10% of total revenues. In the prior year, three major customers accounted for 20%, 16% and 13% of total revenues. Amounts due from major customers represented approximately 60% of accounts receivable on June 30, 2026 (2025 - 46%). The loss of a major customer, or significant curtailment of purchases by such a customer, could have a material adverse effect on the Company's results of operations and financial condition. The Company monitors the relationship with all customers closely and ensures that every customer is subject to the same risk management criteria.

Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. On June 30, 2026, the Company had current financial assets of \$6,710,779 (2025 - \$5,132,451) available to settle current financial liabilities of \$1,486,902 (2025 - \$1,236,285). The Company manages its liquidity risk through the management of its capital (*note 14*) which incorporates the continuous monitoring of actual and projected cash flows to ensure that it has sufficient liquidity to meet its operating commitments without incurring unacceptable losses or risking damage to the Company's reputation.

Market risks

The Company is exposed to interest rate risk due to a bank operating loan that has a floating interest rate as well as currency risk related to accounts receivable, accounts payable, and nominal amounts of cash, prepaid expenses, and customer deposits denominated in US dollars. Market risks give rise to the potential for future cash flows to fluctuate because of changes in interest rates or foreign exchange rates. Market risks are closely monitored, and attempts are made to match foreign cash inflows and outflows. During the current fiscal year, the Company has reported a foreign exchange loss of \$4,435 (2025 - gain of \$2,941).

Sensitivity to market risks

On June 30, 2026, the Company had:

- A bank operating loan of which \$Nil was drawn (2025 - \$Nil) bears interest predicated upon the TD Bank prime lending rate. A change of 1% in that prime lending rate would result in no impact on cash flows over the next 12 months, based on the current loan balance.
- US\$80,401 (2025 - US\$66,792) included in accounts receivable. A 5% increase in the value of the Canadian dollar relative to the US dollar would result in a reduction of \$4,020 (2025 - \$3,340) in future cash inflow.
- US\$130,630 (2025 - US\$218,283) included in accounts payable. A 5% decrease in the value of the Canadian dollar relative to the US dollar would result in an increase of \$6,532 (2025 - \$10,914) in future cash outflow.

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

Forward-looking Information

Certain statements in this MD&A may constitute "forward-looking information" within the meaning of applicable Canadian securities legislation. Such forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and its subsidiary, or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. This forward-looking information is identified by the use of terms and phrases such as "may", "would", "should", "could", "expect", "intend", "estimate", "anticipate", "plan", "foresee", "believe", or "continue", the negative of these terms and similar terminology, including references to assumptions, although not all forward-looking information contains these terms and phrases.

Forward-looking information reflect the current expectations of the management of the Company with respect to future events based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond our control, that could cause actual results, performance or achievements to differ materially from those disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, the following risk factors, including the risk factors summarized above under the heading "Risk Factors", reliance on key personnel, inability to attract and retain qualified personnel, utilization of our workforce, labour relations, growth initiatives, long sales cycles, risks related to developing customer base, availability of financing for our customers, the cost of raw materials, cost overruns, risks related to performance, cost and timing of numerous technical, productivity and supply chain requirements, interruptions in the global supply chain, unknown use of forced and child labour within our supply chain, additional capital requirements, fluctuations in EBITDA, fluctuations in quarterly operating results, exchange rate fluctuations, competition, sensitivity to general economic conditions, brand and corporate reputation, product liability and warranty claims, equipment availability, reliance on manufacturers, product defects, continued access to appropriate facilities, litigation, risks related to income tax matters, environmental regulations, health and safety matters, risks related to global epidemics and pandemics and other health crises, dependence on IT systems, and business operations could be adversely affected by computer hacking. New risk factors may arise from time to time, and it is not possible for management of the Company to predict all those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those expressed or implied in such forward-looking information.

Although the forward-looking information contained in this MD&A is based upon what management believes to be reasonable assumptions based on information currently available to the Company, investors are cautioned against placing undue reliance on this information since actual results may vary from the forward-looking information. Certain assumptions made in preparing the forward-looking information and our objectives include: our ability to generate sufficient revenue while controlling our costs and expenses; our ability to manage our growth effectively; the absence of material adverse changes in our industry or the global economy; trends in our industry and markets; our ability to manage risks related to expansion; our ability to maintain good business relationships; our ability to expand our sales and distribution infrastructure and our marketing; our ability to develop products and technologies that keep pace with the continuing changes in technology, evolving industry standards, new product introductions by competitors and changing client preferences and requirements; the continued demand for printed circuit boards and custom printed circuit board assembly; our ability to retain key personnel and our ability to raise sufficient debt or equity financing to support our business growth.

Consequently, all forward-looking information contained in this MD&A is qualified by the foregoing cautionary statements, and there can be no guarantee that the results or developments that we anticipate will be realized or, even if substantially realized, that they will have the expected consequences or effects on our business, financial condition or results of operation. Unless otherwise noted or the context otherwise indicates, the forward-looking information contained in this presentation is provided as of the date of this presentation, and we do not undertake to update or amend such forward-looking information whether as a result of new information, future events or otherwise, except as may be required by applicable law.