

## ZTEST Electronics Inc.

Management's Discussion and Analysis  
For the Six Month Period Ended December 31, 2025  
(Prepared as at February 26, 2026)



### **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 interim consolidated financial and operating performance for the six months ended December 31, 2025. The MD&A was prepared as of February 26, 2026 and was approved by the Board of Directors on February 26, 2026. It should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the six months ended December 31, 2025, and the audited consolidated financial statements for the year ended June 30, 2025, 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](http://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".

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. The Company's management is currently as follows:

<b>Name</b>	<b>Position(s)</b>
Steve Smith	Chairman, President & Chief Executive Officer
William R. Johnstone, LLB <sup>(1*)</sup>	Director & Corporate Secretary
Dean Tyliakos <sup>(1, 2, 3)</sup>	Director (Independent)
David Barnett <sup>(1, 2)</sup>	Director (Independent)
Trevor Treweeke <sup>(2)</sup>	Director (Independent)
Michael D. Kindy, CPA <sup>(3)</sup>	VP Finance & Chief Financial Officer
Suren Jeyanayagam <sup>(3)</sup>	President of PEC

\* Acts as Committee Chair

<sup>(1)</sup> Member of the Audit Committee

<sup>(2)</sup> Member of the Compensation Committee

<sup>(3)</sup> Director of Permotech Electronics Corporation

### **Corporate Performance**

For several fiscal periods we have noted the emergence and persistence of a general decline in the electronics market. In more recent periods we reported the emergence of indicators suggesting this decline may be starting to abate however marketplace improvements are rarely linear or consistent. Throughout these periods the Company continues to nurture relationships with existing and prospective suppliers and customers to be prepared for any emerging supply issues or to assist customers to exploit their opportunities. These efforts enabled the Company to generate quarterly revenues that grew more than 19% year over year, and to translate that into quarterly net income that is the highest reported since the fiscal quarter ended June 30, 2024.

During the most recent quarter the Company experienced growth in both turnkey and non-turnkey revenues as non-turnkey revenues grew almost 11% while turnkey revenues increased more than 20% in comparison to the prior year. For the six month period, turnkey revenues grew almost 12% and total revenues rose almost 5%. The reduction in non-turnkey work is simply a return to more traditional levels as an opportunity that arose in Q1 2025 caused non-turnkey work to temporarily surge. Non-turnkey work accounted for almost 13% of total quarterly revenues in December 2025, and almost 14% at December 2024, as compared to more than 25% in Q1 2025.

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**Corporate Performance - continued**

One element the Company has cited previously as being somewhat indicative of near-term operating levels is inventory value since raw materials are only acquired as necessary to service existing orders while work in progress and finished goods only arise in relation to fulfilling those orders in the very near future. In this context, the value of inventory on December 31, 2025 conveys mixed messages as it is greater than it was at the start of the year, less than it was at the start of the quarter, and highly similar to what it had been on December 31, 2024. Management interprets this to indicate that while there is reason for optimism, the electronics marketplace continues to provide a challenging landscape.

While the Company continues to navigate market inconsistencies, seek out opportunities, and navigate issues like the impact AI is having on the availability of certain electronic components, it has continued to reduce business risks by generating improvements in capital under management and liquidity. Enhanced profitability was the primary catalyst for growth in capital under management although it was aided by growth in total assets paired with a reduction in total liabilities. Meanwhile, strong revenue numbers translated into positive cash flows, greater working capital, and an increase in current financial assets while simultaneously reducing current financial liabilities. There will continue to be an emphasis on managing business risks and building shareholder value.

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

	For the fiscal years ended:			
	June 2025	June 2024	June 2023	
Total Revenues	8,319,302	9,756,044	5,702,239	
Net income for the year	1,088,750	1,753,269	165,274	
Per share - basic	0.030	0.058	0.006	
Total assets	7,197,418	7,007,632	3,941,742	
Total long-term financial liabilities	154,516	359,173	518,717	
Total liabilities	1,390,801	2,510,914	2,834,331	

  

	For the fiscal quarters ended:			
	Dec. 2025	Sept. 2025	June 2025	Mar. 2025
Total Revenues	2,481,516	1,823,428	2,113,637	2,105,297
Net income for the period	425,913	236,954	299,569	256,457
Per share - basic	0.012	0.006	0.008	0.007
Total assets	7,878,522	7,691,708	7,197,418	7,476,280
Total long-term financial liabilities	131,686	144,042	154,516	145,858
Total liabilities	1,346,617	1,641,261	1,390,801	1,926,621

  

	For the fiscal quarters ended:			
	Dec. 2024	Sept. 2024	June 2024	Mar. 2024
Total Revenues	2,080,861	2,019,507	2,791,359	2,625,282
Net income for the period	208,604	324,120	545,618	531,438
Per share - basic	0.006	0.009	0.016	0.017
Total assets	7,252,891	7,004,461	7,007,632	5,646,648
Total long-term financial liabilities	233,571	268,346	359,173	292,168
Total liabilities	2,073,420	2,133,613	2,510,914	2,888,145

No cash dividends were declared or paid 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.

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**Corporate Performance - continued**

Six month periods ended December 31	2025	2024
Net income for the period	662,867	532,724
Income tax provision	235,647	200,778
Interest expense ó cash based	814	1,921
Interest expense ó lease liability	1,426	4,464
Depreciation of equipment	81,448	95,927
Depreciation of right of use asset	82,888	82,887
EBITDA	1,065,090	918,071
Weighted average shares outstanding ó basic	36,771,583	36,753,158
EBITDA per share - basic	0.029	0.025

Three month periods ended December 31	2025	2024
Net income for the period	425,913	208,604
Income tax provision	152,077	99,129
Interest expense ó cash based	335	891
Interest expense ó lease liability	520	2,045
Depreciation of equipment	40,747	47,963
Depreciation of right of use asset	41,444	41,444
EBITDA	661,036	400,076
Weighted average shares outstanding ó basic	36,745,088	36,815,386
EBITDA per share - basic	0.018	0.011

**Results of Operations**

As noted previously, revenues are 5% greater in the first half of fiscal 2026 than they had been one year earlier, including growth of more than 19% in the most recent quarter. While it is far too soon to suggest this could be the start of another prolonged growth trend, it certainly is the end of a negative trend given that it marks the first time in five quarters that there has been year over year revenue improvement.

While we are optimistic that the electronics marketplace will continue to improve, we remain focussed on maximizing the benefits realized from revenues generated and this starts with gross margin. The gross margin realized in the most recent quarter was \$1,079,577 raising the total for six months to \$1,857,271. Each of these compare favourably to the corresponding figures of \$829,833 and \$1,751,277 reported December 31, 2024. To appreciate how these margins were achieved one needs consider the various aspects of cost of product sales and the amounts incurred for the periods ended December 31, and the changes realized, were as follows:

Six month periods ended December 31	2025	2024	Change
Raw materials and supplies consumed	\$ 1,789,349	\$ 1,670,086	\$ 119,263
Labour costs incurred	468,729	479,908	(11,179)
Depreciation	77,233	90,774	(13,541)
Shipping and packaging	71,128	57,787	13,341
Stencils and tooling	17,835	13,010	4,825
Repairs and maintenance	6,519	15,812	(9,293)
Net change in finished goods and work in process	16,880	21,714	(4,834)
Total cost of product sales	\$ 2,447,673	\$ 2,349,091	\$ 98,582

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**Results of Operations - continued**

Three month periods ended December 31	2025	2024	Change
Raw materials and supplies consumed	\$ 1,066,987	\$ 927,390	\$ 139,597
Labour costs incurred	231,791	231,456	335
Depreciation	38,639	45,386	(6,747)
Shipping and packaging	37,628	31,562	6,066
Stencils and tooling	7,820	4,460	3,360
Repairs and maintenance	3,425	9,892	(6,467)
Net change in finished goods and work in process	15,649	882	14,767
Total cost of product sales	\$ 1,401,939	\$ 1,251,028	\$ 150,911

The cost of raw materials and supplies consumed rose more than 15% in the most recent quarter, and just over 7% year to date, when compared to the prior year. We have noted previously that each circuit board we produce is unique, requiring a distinct set of components at varying costs as well as different amounts of labour to complete the assemblies. An increase in materials costs is generally expected whenever revenues rise however this variability from board to board ensures that there is no absolute correlation. The total costs incurred in each of the periods presented are consistent with management expectations.

Labour costs incurred were virtually identical in Q2 2026 to what they had been in Q2 2025, while costs for the six month period continue to reflect the cost reduction that arose in the first quarter of this year. Management continuously strives to adjust the volume and the nature of labour supply based upon current demand. This process allowed for the slightest reduction in total hours and total overtime hours during the most recent quarter, just sufficient to offset the impact of year over year wage increases. This second quarter result follows on the heels of the first quarter wherein labour hours declined 8.8% as large non-turnkey orders that arose in Q1 2025 did not recur in Q1 2026. Management of labour supply occurs without alteration to the size of the Company's workforce, ensuring that the Company remains ready to meet increased labour demands whenever that may arise.

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 labour costs for the recent quarter equated to \$247,440, or 6.5% more than the total of \$232,338 for the December 2024 period, which was expected given the increase in revenues. Conversely, the year to date costs declined 3.2%, from \$501,622 last year to \$485,609 this year, once again reflecting the impact of the large non-turnkey order completed in Q1 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 continue to rise, up more than 19% in the second quarter and more than 23% year to date, due to escalating shipping and handling rates and more frequent smaller shipments. All shipping and packaging costs are continuously monitored and all costs are within expectations.

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

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**Results of Operations - continued**

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 December 2025 periods is reflective of the Company's equipment being in fine working order.

Selling, general and administrative expenses, and the changes realized, were as follows:

Six month periods ended December 31	2025	2024	Change
Employee and consultant compensation	\$ 631,542	\$ 628,263	\$ 3,279
Occupancy costs	169,350	165,885	3,465
Professional fees	78,394	70,959	7,435
Travel and promotional activities	33,817	28,533	5,284
Shareholder services	36,605	26,002	10,603
Insurance	20,568	19,548	1,020
Office and general expenses	17,544	17,383	161
<b>Total selling, general and administrative</b>	<b>\$ 987,820</b>	<b>\$ 956,573</b>	<b>\$ 31,247</b>

  

Three month periods ended December 31	2025	2024	Change
Employee and consultant compensation	\$ 321,674	\$ 311,371	\$ 10,303
Occupancy costs	84,113	83,283	830
Professional fees	37,624	29,508	8,116
Travel and promotional activities	24,537	17,395	7,142
Shareholder services	22,912	5,378	17,534
Insurance	10,284	9,774	510
Office and general expenses	7,731	9,824	(2,093)
<b>Total selling, general and administrative</b>	<b>\$ 508,875</b>	<b>\$ 466,533</b>	<b>\$ 42,342</b>

Employee and consultant compensation costs include salaries, benefits, consulting fees, and directors' fees. These are generally comparable in aggregate for the periods presented although each of salaries, consulting fees, and directors' fees do reflect small increases in the current periods while incremental payroll taxes that arose from stock option exercises in the December 2024 periods did not recur.

The Company's current facilities lease took effect April 1, 2021 and resulted in the recognition, and amortization, of a right of use asset. This asset is subject to amortization charges which remain consistent over the term of the lease and represent a significant element of occupancy costs for each of the periods presented. The small increase reported in each of the December 2025 periods is due to variances in utility and common area costs. These costs will remain comparable until the current lease term expires March 31, 2026, after which the new lease term will commence with higher related costs.

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 are quite comparable for the six month periods as incremental costs related to the shareholders' meeting held October 2025 offset similar costs incurred July 2024. Fees for reporting required by the Company's financial institution and the filing of annual income tax returns have remained consistent while auditing costs are up approximately 21% due to market increases.

Travel and promotional fees include costs related to the Company's attendance at investor conferences in both the 2025 and 2024 periods as well as travel costs related to the shareholders' meetings held October 2025 and July 2024.

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. The costs for the current periods include new fees associated with the OTCID listing in the US, the current quarter includes incremental costs related to adding a fifth Director to the Board, and Q2 2026 and Q1 2025 each include the costs related to the shareholders' meetings held during those periods.

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**Results of Operations - continued**

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

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

The Company's cost of borrowing, and the changes realized, were as follows:

Six month periods ended December 31	2025	2024	Change
Interest expense ó long term	\$ 647	\$ 1,769	\$ (1,122)
Interest expense ó other	167	152	15
Interest expense ó lease liability	1,426	4,464	(3,038)
<b>Total financing expenses</b>	<b>\$ 2,240</b>	<b>\$ 6,385</b>	<b>\$ (4,145)</b>

  

Three month periods ended December 31	2025	2024	Change
Interest expense ó long term	\$ 251	\$ 815	\$ (564)
Interest expense ó other	84	76	8
Interest expense ó lease liability	520	2,045	(1,525)
<b>Total financing expenses</b>	<b>\$ 855</b>	<b>\$ 2,936</b>	<b>\$ (2,081)</b>

The Company initiated term financing in April 2021 in relation to the acquisition of new equipment and has been making all regular monthly payments. The reduction in interest costs is reflective of the declining balance of the loan. The interest rate on this loan is fixed at 3.386% so related interest costs will continue to decline until the loan reaches maturity April 2026.

Interest expense ó other represents interest arising from the use of the Company's operating line as well as miscellaneous interest charges incurred. There has been no use of the Company's operating line during the current period resulting in lower expense.

The Company's lease extension for its operating facility commenced April 1, 2021 and resulted in the recognition and amortization of a right-of-use asset and the recognition of a lease liability. That lease liability gives rise to imputed interest costs, based on the discount rate, over the term of the lease. The imputed interest costs will continue to decline until the current lease liability is extinguished March 31, 2026 after which a new lease liability will be recognized causing costs to rise sharply.

**Liquidity**

On December 31, 2025, the Company had working capital of \$5,872,185 (June 30, 2025 ó \$5,008,284) and current financial assets of \$5,774,111 (June 30, 2025 ó \$5,132,451) available to settle current financial liabilities of \$1,214,931 (June 30, 2025 ó \$1,236,285).

The Company also has access to a \$1,000,000 bank operating line, of which \$Nil (June 30, 2025 ó \$Nil) had been drawn as of December 31, 2025, or to the date of this document.

In addition to satisfying the cost of operations the Company must also address the payment or other settlement of the following amounts at December 31, 2025:

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**Liquidity - continued**

	Due by Dec. 2026	Due after Dec. 2026	Total Due
Term loan	\$ 22,667	\$ -	\$ 22,667
Lease liability <sup>(1)</sup>	46,271	-	46,271
	<b>\$ 68,938</b>	<b>\$ -</b>	<b>\$ 68,938</b>

<sup>(1)</sup> The Company has signed a new five year lease extension which will commence April 1, 2026 and requires the payment of base rental payments aggregating \$1,177,020 over its term. These payments will be discounted based on market conditions prevailing on the first day of the new lease term and that discounted value will be recorded as a lease liability on that date.

**Capital Resources**

The Company has a \$1,000,000 commercial line of credit from which \$Nil (June 2025 - \$Nil) was drawn on December 31, 2025. The loan bears interest at the TD Bank prime lending rate plus 1.8%, is due upon demand, and is secured by a general security agreement covering the assets of PEC.

The Company has a term loan, the proceeds of which were used to purchase equipment. The loan was funded April 2021 in the amount of \$313,748 and \$22,667 remains payable on December 31, 2025. The loan bears interest at 3.386%, requires monthly payments of \$5,691 blended as to principal and interest, and will mature April 2026.

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;
- The Company repurchased and cancelled 78,000 common shares under its NCIB for \$19,072, including commissions;
- 800,000 stock options were granted to Directors, officers and employees of the Company and its subsidiary. These options, which may be exercised at \$0.28 until December 15, 2030, will vest as to 50% on June 15, 2026 and 50% on December 15, 2026.

There have been no securities transactions between December 31, 2025 and the date of this document.

**Related Party Transactions**

The Company had transactions during the periods with key management personnel. These included salaries paid to Steve Smith (President and CEO) and Mike Kindy (CFO), salaries and benefits paid to Suren Jeyanayagam (President of PEC), 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, accounting fees paid to Michael D. Kindy, CPA (CFO), 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:

Six month periods ended December 31	2025	2024
Salaries and benefits <sup>(1)</sup>	\$ 274,387	\$ 262,326
Directors' fees <sup>(1)</sup>	23,500	22,000
Legal fees <sup>(2)</sup>	37,707	36,369
Accounting fees <sup>(2)</sup>	6,000	6,000
Cash based expenditures	<b>\$ 341,594</b>	<b>\$ 326,695</b>
Share-based payments	<b>\$ 23,564</b>	<b>\$ 105,029</b>

<sup>(1)</sup> Reported in the consolidated financial statements as an element of employee and consultant compensation.

<sup>(2)</sup> Reported in the consolidated financial statements as an element of professional fees.

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**Related Party Transactions - continued**

The following balances are due to related parties, and were reported in the unaudited condensed interim consolidated financial statements as an element of accounts payable and accrued liabilities on December 31 of each year:

	2025	2024
Consulting fees and out-of-pocket expenses payable	\$ 104,926	\$ 241,513
Salaries and benefits payable	\$ 70,572	\$ 62,667
Legal fees payable	\$ 5,531	\$ 4,779

The following stock options have been issued to Directors and/or Officers of the Company and its subsidiary and were outstanding on December 31, 2025, and as at the date of this document:

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	800,000
Stock options @ \$0.28 per share <sup>(1)</sup>	Dec. 15, 2030	800,000

<sup>(1)</sup> 50% of these stock options will vest June 15, 2026 and the remaining 50% will vest on December 15, 2026.

**Convertible Instruments and Other Securities**

The Company has the following securities issued and outstanding:

Shares issued	Quantity	Amount
Common shares, June 30, 2025	36,795,321	\$ 25,081,033
Broker warrants exercised	219,380	115,288
Shares repurchased under Normal Course Issuer Bid	(78,000)	(53,167)
Common shares, December 31, 2025 and on the date of this document	36,936,701	\$ 25,143,154

In addition to the shares issued and outstanding, the Company has issued stock options as incentives to various parties. The following list itemizes the common shares that have been reserved to satisfy potential issuances:

Common shares reserved	Expiry Date	Number of Common Shares
To be issued for Class A shares <sup>(1)</sup>		8,246
Stock options @ \$0.10 per share	Sep. 2027	300,000
Stock options @ \$0.27 per share	Mar. 2029	350,000
Stock options @ \$0.30 per share	Aug. 2029	800,000
Stock options @ \$0.40 per share	Jan. 2030	100,000
Stock options @ \$0.28 per share <sup>(2)</sup>	Dec. 2030	900,000
Common shares reserved, December 31, 2025 and on the date of this document		2,458,246

<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 the remaining Class A shareholders identify themselves to the Company.

<sup>(2)</sup> These options will vest as to 50% on June 15, 2026 with the remaining 50% vesting December 15, 2026.

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**Convertible Instruments and Other Securities - continued**

Fully diluted number of shares	Quantity
Shares issued to December 31, 2025 and on the date of this document	36,936,701
Shares reserved on December 31, 2025 and on the date of this document	2,458,246
<b>Fully diluted number of shares, December 31, 2025 and on the date of this document</b>	<b>39,394,947</b>

Transactions involving warrants are summarized as follows:

	Number of Warrants	Amount
Balance, June 30, 2025	2,589,380	\$ 421,385
Broker warrants exercised	(219,380)	(60,446)
Warrants expired	(2,370,000)	(360,939)
<b>Balance, December 31, 2025 and on the date of this document</b>	<b>-</b>	<b>\$ -</b>

No warrants were issued during the year ended June 30, 2025, or thereafter.

Additional disclosures relative to stock options are as follows:

During the period ended December 31, 2025 the Company granted 900,000 stock options, entitling the holders to exercise at a price of \$0.28 per share until December 15, 2030. 50% of these options will vest June 15, 2026 and the remaining 50% will vest December 15, 2026. The following weighted average assumptions were used to calculate the fair value of the stock options granted during the periods:

	Dec. 31 2025	June 30 2025
Dividend yield	Nil	Nil
Risk free interest rate (%)	3.00	1.05 to 2.92
Expected stock volatility (%)	134.98	143.56 to 146.09
Expected life (years)	5	5

	Common Shares Under Option	Weighted Average Price/Option	Weighted Average Expiry Date
Balance, June 30, 2025	1,550,000	\$ 0.26	Mar. 13, 2029
Stock options granted	900,000	\$ 0.28	Dec. 15, 2030
<b>Balance, December 31, 2025 and on the date of this document</b>	<b>2,450,000</b>	<b>\$ 0.27</b>	<b>Nov. 4, 2029</b>

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 <sup>(1)</sup>	300,000	\$ 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
Granted August 15, 2024	800,000 <sup>(1)</sup>	800,000	\$ 0.30	Aug. 15, 2029
Granted January 15, 2025	100,000	100,000	\$ 0.40	Jan. 15, 2030
Granted December 15, 2025	800,000 <sup>(1,2)</sup>	-	\$ 0.28	Dec. 15, 2030
Granted December 15, 2025	100,000	-	\$ 0.28	Dec. 15, 2030

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

<sup>(2)</sup> These options will vest as to 50% on June 15, 2026 with the remaining 50% vesting December 15, 2026.

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### **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* is 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.

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### **Impairment of Investments - continued**

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 2025 fiscal year, or subsequent thereto.

#### **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 periods ended December 31, 2025 or December 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 Company's revenues during a reporting period. During the current period, the Company had 2 major customers which represented 20% and 12% of revenues (Dec. 31, 2024 - 2 customers, 25% and 15% of revenues). Amounts due from these customers represented approximately 39% of accounts receivable at December 31, 2025 (Dec. 31, 2024 - 42%). 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 December 31, 2025 the Company had current financial assets of \$5,774,111 (June 30, 2025 - \$5,132,451) available to settle current financial liabilities of \$1,214,931 (June 30, 2025 - \$1,236,285). The Company manages its liquidity risk through the management of its capital 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.

**Risk Factors - continued****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 in the amount of \$807 (Dec. 31, 2024 ó loss of \$12,257).

**Sensitivity to market risks**

On December 31, 2025, the Company had:

- A bank operating loan of which \$Nil was drawn (June 30, 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\$20,702 (June 30, 2025 ó 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 \$1,035 in future cash inflow.
- US\$132,881 (June 30, 2025 ó 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 \$6,644 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.

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**Forward-looking Information - continued**

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.