

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, 2025. The MD&A was prepared as of October 24, 2025 and was approved by the Board of Directors on October 24, 2025. It should be read in conjunction with the consolidated financial statements of the Company 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.

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's management, which has not changed since the annual general meeting held July 11, 2024, is currently:

Name	Position(s)
Steve Smith	Chairman, President & Chief Executive Officer
William R. Johnstone, LLB ^(1*)	Director & Corporate Secretary
Dean Tyliakos ^(1, 2, 3)	Director (Independent)
David Barnett ^(1, 2)	Director (Independent)
Michael D. Kindy, CPA ⁽³⁾	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 Permotech Electronics Corporation

Corporate Performance

The 2025 fiscal year presented some challenges as market demand for the Company's products softened in comparison to 2024. Although it has been alleged that many competitors suffered revenue declines which exceeded the Company's 14.7% decline, the Company's enthusiasm over having potentially outperformed competitors is tempered. The revenue decline was most noticeable regarding export sales which declined almost 68%, as compared to a 10% decline in domestic sales. Consequently, domestic sales rose from 92% of total revenues in 2024 to 97% in 2025. The overall market weakness, and the decline in export sales, are both perceived to be relatively typical of the recurring cycles for the electronics market. For lack of a better description, the market tends to take a breath from time to time resulting in a temporary decline in demand generally followed by a return to, or surpassing, prior demand levels.

The current market decline started in the second half of fiscal 2024 but was exacerbated by the imposition and threat of tariffs which created significant uncertainty. These tariffs and potential tariffs had little direct effect on the Company, as our products are CUSMA compliant, but did cause many customers to be more reserved in their ordering and more reluctant to introduce new suppliers throughout fiscal 2025. There have been signs, both domestic and export, that customer confidence is growing. The Company is encouraged by these signs, believing them to indicate that larger and/or more frequent domestic and export orders will soon start to be received and that the extensive ongoing groundwork to lure new customers will start to pay off.

ZTEST Electronics Inc.

Management's Discussion and Analysis

For The Year Ended June 30, 2025

(Prepared as at October 24, 2025)

**Corporate Performance - continued**

Although revenue has declined the Company is highly encouraged by its ability to maintain its gross margin percentage and strong cash flows and that both factors contributed to the further enhancement of the Company's already strong liquidity position. In fiscal 2024 the Company reported gross margins approximating 40.1% of annual revenues and for 2025 that increased to almost 41.6% as the Company was able to manage through emerging cost pressures like growing labour costs, growing shipping costs, and other inflationary pressures. Moving into fiscal 2026 there continue to be inflationary factors to be addressed, and it is expected that occupancy costs will rise in the final quarter with the commencement of a new lease term for the Company's operating facility. It is also common for there to be some pressure on selling prices whenever the market emerges from these downturns. Management is pleased with how it coped with cost pressures in 2025 and will strive to maintain its gross margin percentage while managing through these new emerging pressures.

The Company once again generated significant cash flows from operations and was able to deploy that cash to realize a 44.6% reduction in total liabilities, including a 42.5% reduction in current liabilities. On June 30, 2025 the Company had no long-term liabilities, aside from a deferred tax liability which, by its nature, has no fixed repayment terms. This reduction in liabilities was achieved while still growing both total assets and current assets meaning that working capital grew as did the surplus of current financial assets over current financial liabilities. On June 30, 2025 the Company was in a strong cash position with excellent liquidity. Management seeks to enhance this further through continuing strong operating results.

The Company has been actively exploring potential ways to utilize its capital to enhance shareholder value. This includes investigating various means by which the Company may grow, be that organically or through some form of strategic alliance or acquisition. Identifying appropriate parties amenable to such transactions has proven to be just as challenging as the market conditions and as a result nothing can be classified as imminent. Aside from exploring growth initiatives the Company determined that there was an opportunity to repurchase some of its common shares at market prices that are perceived to under-represent the Company's true value. A Normal Course Issue Bid was started April 1, 2025 which gives the Company the opportunity to repurchase and cancel up to 2,727,923 of its common shares before March 31, 2026. Up to June 30, 2025 350,500 common shares had been repurchased and cancelled and since then another 78,000 shares have been repurchased and cancelled. Management will continue to monitor the market and to make further repurchases when it is prudent to do so.

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:			
	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

Corporate Performance - continued

	June 2024	For the fiscal quarters ended:		
		Mar. 2024	Dec. 2023	Sept. 2023
Total Revenues	2,791,359	2,625,282	2,459,917	1,879,486
Net income for the period	545,618	531,438	504,329	171,884
Per share - basic	0.016	0.017	0.018	0.006
Total assets	7,007,632	5,646,648	4,418,818	4,504,461
Total long-term financial liabilities	359,173	292,168	360,027	456,015
Total liabilities	2,510,914	2,888,145	2,277,704	3,225,166

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 2025	June 2024	June 2023
Net income for the year	1,088,750	1,753,269	165,274
Income tax provision	374,415	506,239	36,043
Interest expense ĩ cash based	3,281	8,135	12,590
Interest expense ĩ lease liability	7,422	13,308	18,854
Depreciation of equipment	197,235	152,326	101,977
Depreciation of right of use asset	165,774	165,775	165,775
EBITDA	1,836,877	2,599,052	500,873
Weighted average shares outstanding - basic	36,876,303	30,163,036	26,687,196
EBITDA per share - basic	0.050	0.086	0.019

	For the fiscal quarters ended:			
	June 2025	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 ĩ cash based	612	748	891	1,030
Interest expense ĩ 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

Corporate Performance - continued

	June 2024	For the fiscal quarters ended:		
		Mar. 2024	Dec. 2023	Sept. 2023
Net income for the period	545,618	531,438	504,329	171,884
Income tax provision	188,406	190,409	47,259	80,165
Interest expense – cash based	1,278	1,289	2,011	3,557
Interest expense – lease liability	2,789	3,153	3,508	3,858
Depreciation of equipment	90,457	20,640	20,642	20,587
Depreciation of right of use asset	41,444	41,444	41,443	41,444
EBITDA	869,992	788,373	619,192	321,495
Weighted average shares outstanding - basic	34,332,305	31,155,821	28,532,932	26,687,196
EBITDA per share - basic	0.025	0.025	0.022	0.012

Results of Operations

Revenues for fiscal 2025 followed the same pattern as they had in fiscal 2024 whereby revenues rose in each successive quarter. This results in three consecutive quarters of revenue increases however the final quarter was also the third consecutive quarter for which revenues were down in comparison to the same period one year earlier. We have commented previously about general market contraction, further fuelled by the threat and imposition of tariffs, and how that has resulted in lower periodic revenues in 2025. We also commented previously that, in spite of these revenue declines, the Company had not only maintained but grown its gross margin percentage, from 40.1% to 41.6%. While this enhanced percentage was not sufficient to maintain gross margin value it is still a favourable accomplishment. Future gross margins and gross margin percentages will be affected by competition, production volumes, equipment acquisitions, and inflationary pressures from the various elements of cost of product sales.

The different elements of cost of product sales for the periods ended June 30 were as follows:

Years ended	2025	2024	Change
Raw materials and supplies consumed	\$ 3,531,470	\$ 4,435,242	\$ (903,772)
Labour costs incurred	941,919	1,101,602	(159,683)
Depreciation	186,624	144,386	42,238
Shipping and packaging	128,056	108,828	19,228
Stencils and tooling	27,216	57,185	(29,969)
Repairs and maintenance	34,578	16,457	18,121
Net change in finished goods and work in process	12,556	(25,793)	38,349
Total cost of product sales	\$ 4,862,419	\$ 5,837,907	\$ (975,488)

Three month periods ended	2025	2024	Change
Raw materials and supplies consumed	\$ 907,848	\$ 1,203,399	\$ (295,551)
Labour costs incurred	236,030	288,511	(52,481)
Depreciation	50,143	85,627	(35,484)
Shipping and packaging	33,544	25,081	8,463
Stencils and tooling	5,586	13,603	(8,017)
Repairs and maintenance	10,161	4,855	5,306
Net change in finished goods and work in process	(1,749)	(656)	(1,093)
Total cost of product sales	\$ 1,241,563	\$ 1,620,420	\$ (378,857)

Results of Operations - continued

The cost of raw materials and supplies consumed in the final quarter declined almost 25% year over year, while costs for the 2025 fiscal year were down just over 20% in comparison to 2024. While these cost reductions are generally correlated with the change in revenues it should be noted that the percentage declines in the cost of materials exceeded the change in revenues for the same periods. A contributing factor was a slight decline in product mix as non-turnkey revenues rose from 14.8% of 2024 revenues to 15.2% of 2025 revenues however this shift in mix does not fully explain the cost changes. As a custom assembly facility, every order we fulfill is unique. Each order requires a distinct set of components, at varying costs, and requires differing amounts of labour. These variables, combined with periodic changes in the mix between turnkey and non-turnkey work, almost ensure variations in the magnitude of material costs and in relation to periodic revenues. Materials costs incurred in fiscal 2025 were consistent with management expectations and there were no significant unexpected materials costs incurred or avoided. The cost of materials, in value and relative to revenues, will continue to fluctuate from period to period.

Labour costs incurred were 14.5% lower in fiscal 2025 than they had been in fiscal 2024, and 18.2% lower in the final quarter of 2025, compared to Q4 2024, with the reductions driven by lower labour demand. This marks the fourth consecutive quarter for which labour costs declined year over year. The reduction in labour demand is reflected in a 17.9% reduction in total labour hours for the year, including a 69.5% reduction in overtime hours. Given that labour supply declined by a greater percentage than labour cost it follows that the average cost of labour increased in 2025. Inflationary pressures on pay rates, combined with higher payroll taxes, served to cause the average cost per labour hour in fiscal 2025 to exceed fiscal 2024 rates by just over 4%.

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 2025 fiscal year was \$954,475, as compared to \$1,075,809 for 2024, representing a decrease of 11.3%. For the final quarter of 2025 the combined cost was \$234,281, down 18.6% from the cost of \$287,855 incurred Q4 2024. These cost declines lag the percentage reduction in revenues for the same periods, which again is only partially explained by the increase in non-turnkey work. Other contributing factors were the increased cost of labour and the challenge to reduce labour supply in absolute correlation with reduction in demand.

Depreciation costs have increased, in line with expectations. This is the impact of the installation and activation of new production equipment during the final quarter of the 2024 fiscal year along with an x-ray machine acquired in fiscal 2025 to further enhance quality control. These acquisitions always result in higher periodic depreciation charges in the period of acquisition and in the ensuing year. The x-ray machine was activated in the final quarter of 2025, causing expense for the that quarter to exceed the 2025 quarterly average, but not to the extent incurred with the larger acquisition in Q4 2024.

Shipping and packaging costs were over 17% higher for the year, including a 33% increase in the final quarter, in comparison to the same periods in 2024. This is due to a combination of rising shipping rates, making more frequent smaller shipments, the specific packaging required for specific products, and that 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

Stencils and tooling are primarily incurred at the time that the Company prepares for assembly of boards that it has never produced before. This can be on account of a new board or for what would be a re-order except that the customer has modified their board design in some manner. Stencils and tooling typically have a long lifespan, allowing customer re-orders to be produced for several years without need of replacement. A decline in these costs indicates that a larger percentage of revenues is coming from customer re-orders.

Repairs and maintenance is generally routine work performed to ensure all equipment continues to run at peak performance. As with any machinery, minor issues arise from time to time that do not immediately impact on performance and therefore need not be addressed during high-demand times. This is why it is common to see these costs rise during periods when revenues decline, as is the case in fiscal 2025. The increases are very minor in magnitude and are representative of ongoing maintenance.

Results of Operations - continued

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

Years ended	2025	2024	Change
Employee and consultant compensation	\$ 1,252,351	\$ 1,105,715	\$ 146,636
Occupancy costs	338,892	334,332	4,560
Professional fees	157,139	124,210	32,929
Shareholder services	41,702	21,289	20,413
Insurance	39,994	37,631	2,363
Travel and promotional activities	30,049	15,774	14,275
Office and general expenses	34,576	37,655	(3,079)
Total selling, general and administrative	\$ 1,894,703	\$ 1,676,606	\$ 218,097

Three month periods ended	2025	2024	Change
Employee and consultant compensation	\$ 320,758	\$ 293,177	\$ 27,581
Occupancy costs	83,070	82,021	1,049
Professional fees	43,085	40,083	3,002
Shareholder services	8,519	5,571	2,948
Insurance	10,284	9,773	511
Travel and promotional activities	339	4,030	(3,691)
Office and general expenses	9,307	10,452	(1,145)
Total selling, general and administrative	\$ 475,362	\$ 445,107	\$ 30,255

Employee and consultant compensation costs include salaries, benefits, consulting fees, and directors' fees. For each of the periods presented, salaries and benefits increased while consulting fees and directors' fees each declined. Effective July 1, 2024 the Company's CEO and CFO converted from providing services on a consulting basis to employment, contributing to a rise in salaries and related payroll taxes as well as a decline in consulting fees. Salaries and benefits also rose due to annual increases, and payroll taxes associated with stock option exercises completed during the first three quarters of 2025. Directors' fees declined due to having one fewer director through most of 2025.

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 variances for the final quarter of 2025, and for 2025 as a whole, are due to variances in utility rates. It is anticipated that occupancy costs will remain relatively comparable from period to period until the current lease expires March 31, 2026. The Company has initiated dialogue regarding a lease extension and is expecting a reasonable outcome predicated on prevailing market rates.

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. Fees related to filing the annual tax returns have remained consistent while audit fees and legal fees each rose. Audit costs rose in the final quarter of 2025 when it was learned that the fees for the 2025 annual audit would exceed previous expectations. Meanwhile legal fees rose during the first three quarters due primarily to services related to initiating the NCIB, moving from the US pink sheets to the new OTCID, and the shareholders meeting held July 2024.

Shareholder services, which encompass all stock exchange fees, all transfer agent and similar fees, and all costs related to public disclosures and the dissemination of news, were higher throughout 2025. This started with costs related to the shareholders meeting held July 2024 but continued due to higher transaction volumes in relation to the Company's securities and because of new fees associated with the OTCID listing in the US.

Results of Operations - continued

Insurance costs reflect minor premium increases related to the renewal of business and liability insurance policies. There has been no alteration in the nature of any insurance coverages that Company maintains although certain limits have been increased to reflect higher operating volumes and recent equipment purchases.

Travel and promotional fees have risen in 2025, primarily due to the Company's attendance at investor conferences. There were no similar activities during fiscal 2024 or in the final quarter of 2025 but the Company attended one such conference in September 2025 and will attend another in October 2025.

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	2025	2024	Change
Interest expense - long term	\$ 2,960	\$ 5,269	\$ (2,309)
Interest expense - other	321	2,866	(2,545)
Interest expenses - lease liability	7,422	13,308	(5,886)
Total financing expenses	\$ 10,703	\$ 21,443	\$ (10,740)

Three month periods ended	2025	2024	Change
Interest expense - long term	\$ 529	\$ 1,202	\$ (673)
Interest expense - other	83	76	7
Interest expenses - lease liability	1,289	2,789	(1,500)
Total financing expenses	\$ 1,901	\$ 4,067	\$ (2,166)

The Company initiated new 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 so related interest costs will continue to decline until the loan reaches maturity April 2026.

Interest expense - other represents interest arising from the use of the Company's operating line as well as miscellaneous interest charges incurred. The Company made use of its operating line during the first five months of the 2024 fiscal year, but not since, resulting in the decline in interest costs.

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 then 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 lease liability expires March 31, 2026.

Liquidity

On June 30, 2025, the Company had working capital of \$5,008,284 (2024 - \$3,592,820) and current financial assets of \$5,132,451 (2024 - \$4,466,034) available to settle current financial liabilities of \$1,236,285 (2024 - \$2,151,741). The Company also has access to a \$1,000,000 (2024 - \$1,000,000) bank operating line, of which \$Nil (2024 - \$Nil) had been drawn as of June 30, 2025.

Liquidity - continued

In addition to satisfying the cost of operations, the Company must also address the settlement of the following obligations at June 30, 2025:

	Due by June 2026	Due after June 2026	Total Due
Long-term debt	\$ 56,092	\$ -	\$ 56,092
Lease liability	137,649	-	137,649
	\$ 193,741	\$ -	\$ 193,741

Capital Resources

The Company has a \$1,000,000 commercial line of credit from which \$Nil (June 2024 - \$Nil) was drawn on June 30, 2025. The loan bears interest at the TD Bank prime lending rate plus 1.8% (June 2024 i prime plus 2.0%), 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 \$56,092 remains payable on June 30, 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, 2024:

- 450,000 stock options were exercised for cash proceeds of \$45,000.
- 150,000 warrants were exercised for cash proceeds of \$45,000.
- The Company granted 800,000 stock options to directors of which 50% vested February 15, 2025 and the remaining 50% vested August 15, 2025. Each option entitles the holder to acquire one common share at \$0.30 until August 15, 2029;
- The Company granted 100,000 stock options to a consultant of which 50% vested April 17, 2025 and the remaining 50% vested July 17, 2025. Each option entitles the holder to acquire one common share at \$0.40 until January 15, 2030;
- The Company repurchased and cancelled 350,500 common shares under its NCIB for \$78,072, including commissions.

After June 30, 2025:

- The Company repurchased and cancelled 78,000 common shares under its NCIB for \$19,072, including commissions.
- 50,724 broker warrants were exercised for cash proceeds of \$12,681.

Related Party Transactions

The Company had transactions during the periods with key management personnel including salaries paid to Steve Smith (President and CEO) and Mike Kindy (CFO), salaries and benefits paid to Suren Jeyanayagam (President of PEC), 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. During 2024 Steve Smith and Mike Kindy received consulting fees rather than salaries. 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	2025	2024	Change
Salaries and benefits ⁽¹⁾	\$ 516,183	\$ 273,918	\$ 242,265
Consulting fees ⁽¹⁾	-	144,000	(144,000)
Directors' fees ⁽¹⁾	44,500	60,000	(15,500)
Legal fees ⁽²⁾	82,664	61,394	21,270
Accounting fees ⁽²⁾	6,000	6,000	-
Share issuance costs ⁽³⁾	-	37,533	(37,533)
Cash based expenditures	\$ 649,347	\$ 582,845	\$ 66,502

Related Party Transactions - continued

Share-based payments	\$	175,048	\$	61,394	\$	113,654
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- (1) Charged to net income as an element of employee and consultant compensation.
(2) Charged to net income as an element of professional fees.
(3) Charged as a reduction of share capital.

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:

	2025	2024	Change
Salaries and benefits payable	119,849	138,064	(18,215)
Consulting fees payable	184,567	326,582	(142,015)
Directors' fees payable	-	137,310	(137,310)
Legal fees payable	4,865	11,546	(6,681)
	309,281	613,502	(304,221)

The following stock options held by Directors and/or Officers of the Company and were outstanding on June 30, 2025:

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 ⁽¹⁾	Aug. 15, 2029	800,000

⁽¹⁾ 50% of these options had vested as of June 30, 2025 and the remaining 50% vested August 15, 2025.

Convertible Instruments and Other Securities

The Company has the following securities issued and outstanding:

Common shares issued:	Quantity	Amount
Balance, June 30, 2023	26,687,196	\$ 24,064,236
Shares issued in settlement of debt	4,468,625	357,490
Stock options exercised	350,000	51,191
Private placement	5,040,000	713,368
Balance, June 30, 2024	36,545,821	25,186,285
Stock options exercised	450,000	65,817
Warrants exercised	150,000	67,844
Shares repurchased under NCIB and cancelled	(350,500)	(238,913)
Balance, June 30, 2025	36,795,321	25,081,033
Broker warrants exercised	50,724	26,661
Shares repurchased under NCIB and cancelled	(78,000)	(53,168)
Balance, as at the date of this document	36,768,045	\$ 25,054,526

Convertible Instruments and Other Securities - continued

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
Broker warrants @ \$0.25 per share	Nov. 2025	219,380
Warrants @ \$0.30 per share	Nov. 2025	2,370,000
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
Shares reserved, June 30, 2025		4,147,626
Broker warrants exercised @ \$0.25 per share	Nov. 2025	(50,724)
Shares reserved, at the date of this document		4,096,902

⁽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, 2025	36,795,321
Shares reserved on June 30, 2025	4,147,626
Fully diluted number of shares, June 30, 2025	40,942,947
Shares issued after June 30, 2025	50,724
Change in shares reserved after June 30, 2025	(50,724)
Shares repurchased after June 30, 2025 under NCIB, and cancelled	(78,000)
Fully diluted number of shares, as at the date of this document	40,864,947

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
Exercised during period	(150,000)	0.30	Nov. 8, 2025
Balance, June 30, 2025	2,589,380	\$ 0.30	Nov. 8, 2025
Exercised during period	(50,724)	0.25	Nov. 8, 2025
Balance, at the date of this document	2,538,656	\$ 0.30	Nov. 8, 2025

The following share purchase warrants are outstanding at the date of this document:

	Number of Warrants	Exercise Price	Expiry Date
Warrants issued May 8, 2024	2,370,000	\$ 0.30	Nov. 8, 2025
Broker warrants issued May 8, 2024	168,656	\$ 0.25	Nov. 8, 2025

Convertible Instruments and Other Securities - continued

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, 2024	1,100,000	\$ 0.15	Mar 21 2028
Granted during the period	900,000	0.31	Sept. 1, 2029
Stock options altered during the period ⁽¹⁾	(200,000)	0.10	Sept. 30 2027
Stock options altered during the period ⁽¹⁾	200,000	0.10	Jan. 7, 2025
Exercised during the period	(450,000)	0.10	July 14, 2026
Balance, March 31, 2025 and at the date of this document	1,550,000	\$ 0.26	Mar. 13, 2029

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

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

	2025	2024
Dividend yield	Nil	Nil
Risk free interest rate (%)	1.05 - 2.92	3.41
Expected stock volatility (%)	143.56 - 146.09	147.76
Expected life (years)	5	5

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	\$ 0.10	Sep. 30, 2027
Granted March 28, 2024	250,000 ⁽¹⁾	250,000	\$ 0.27	Mar. 28, 2029
Granted March 28, 2024	100,000	100,000	\$ 0.27	Mar. 28, 2029
Granted August 15, 2024	800,000 ^(1,2)	800,000	\$ 0.30	Aug. 15, 2029
Granted January 17, 2025	100,000 ⁽³⁾	100,000	\$ 0.40	Jan. 17, 2030

⁽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, 2025 and the remaining 50% vested August 15, 2025.

⁽³⁾ These options had vested as to 50% by June 30, 2025 and the remaining 50% vested July 17, 2025.

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

Financial instruments - continued

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 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 years ended June 30, 2025 and June 30, 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 year, the Company had three major customers which represented 20%, 16% and 13% of total revenues. In the prior year, three major customers accounted for 19%, 16% and 11% of total revenues. Amounts due from major customers represented approximately 46% of accounts receivable on June 30, 2025 (2024 - 57%). 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, 2025, the Company had current financial assets of \$5,132,451 (2024 - \$4,466,034) available to settle current financial liabilities of \$1,236,285 (2024 - \$2,151,741). The Company manages its liquidity risk through the management of its capital (*note 14*) which incorporates the continuous monitoring of actual and projected cash flows to ensure that it has sufficient liquidity to meet its operating commitments without incurring unacceptable losses or risking damage to the 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 gain of \$2,941 (2024 - loss of \$6,837).

Risk Factors - continued

Sensitivity to market risks

On June 30, 2025, the Company had:

- A bank operating loan of which \$Nil was drawn (2024 - \$Nil) bears interest predicated upon the TD Bank prime lending rate. A change of 1% in that prime lending rate would result in no impact on cash flows over the next 12 months, based on the current loan balance.
- US\$66,792 (2024 i US\$172,478) included in accounts receivable. A 5% increase in the value of the Canadian dollar relative to the US dollar would result in a reduction of \$3,340 (2024 i \$8,624) in future cash inflow.
- US\$218,283 (2024 i US\$144,464) included in accounts payable. A 5% decrease in the value of the Canadian dollar relative to the US dollar would result in an increase of \$10,914 (2024 i \$7,225) 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.

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.