

ZTEST Electronics Inc.
Unaudited Condensed Interim Consolidated Financial Statements
March 31, 2026
(Stated in Canadian Dollars)

Notice To Reader

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

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors on May 22, 2026. They have not been reviewed by the Company's auditors.

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

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

(Stated in Canadian Dollars)

March 31, 2026

	Mar. 31 2026	June 30 2025
Assets		
Current assets		
Cash and cash equivalents	\$ 4,977,380	\$ 4,104,731
Accounts receivable	1,350,790	1,027,720
Inventories (note 3)	1,487,961	1,048,391
Prepaid expenses	65,292	63,727
	7,881,423	6,244,569
Equipment (note 4)	676,287	793,517
Right-of-use asset (note 5)	1,072,551	159,331
Investments (note 6)	1	1
	\$ 9,630,262	\$ 7,197,418
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	\$ 1,337,196	\$ 1,000,647
Government remittances payable	123,920	34,982
Customer deposits	11,761	6,916
Current portion of lease liability (note 8)	164,420	137,649
Current portion of long-term debt (note 9)	5,732	56,091
	1,643,029	1,236,285
Lease liability (note 8)	873,131	-
Deferred taxes (note 13)	123,940	154,516
	2,640,100	1,390,801
Shareholders' equity		
Share capital (note 10)	25,143,154	25,081,033
Warrants (note 10)	-	421,385
Contributed surplus (note 10)	2,431,921	1,962,362
Deficit	(20,584,913)	(21,658,163)
	6,990,162	5,806,617
	\$ 9,630,262	\$ 7,197,418

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

Approved by the Board:

Signed: "Steve Smith"

Director

Signed: "William R. Johnstone"

Director

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

(Stated in Canadian Dollars)

March 31, 2026

	Share Capital	Warrants	Contributed Surplus	Deficit	Total
Balance, June 30, 2024	\$ 25,186,285	\$ 444,229	\$ 1,773,957	\$ (22,907,753)	\$ 4,496,718
Stock options granted	-	-	173,761	-	173,761
Stock options exercised	65,817	-	(20,817)	-	45,000
Warrants exercised	67,844	(22,844)	-	-	45,000
Net income for the period	-	-	-	789,180	789,180
Balance, March 31, 2025	25,319,946	421,385	1,926,901	(22,118,573)	5,549,659
Stock options granted	-	-	35,461	-	35,461
Shares repurchased and cancelled	(238,913)	-	-	160,841	(78,072)
Net income for the period	-	-	-	299,569	299,569
Balance, June 30, 2025	25,081,033	421,385	1,962,362	(21,658,163)	5,806,617
Stock options granted	-	-	108,617	-	108,617
Warrants exercised	115,288	(60,443)	-	-	54,845
Warrants expired	-	(360,942)	360,942	-	-
Shares repurchased and cancelled	(53,167)	-	-	34,095	(19,072)
Net income for the period	-	-	-	1,039,155	1,039,155
Balance, March 31, 2026	\$ 25,143,154	\$ -	\$ 2,431,921	\$ (20,584,913)	\$ 6,990,162

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

ZTEST Electronics Inc.**Unaudited Condensed Interim Consolidated Statements of Comprehensive Income**

(Stated in Canadian Dollars)

March 31, 2026

	Three months ended		Nine months ended	
	2026	2025	2026	2025
Product sales	\$ 2,399,624	\$ 2,105,297	\$ 6,704,568	\$ 6,205,665
Cost of product sales (note 3)	1,355,072	1,271,765	3,802,745	3,620,856
	1,044,552	833,532	2,901,823	2,584,809
Expenses				
Selling, general and administrative (note 12)	447,829	462,285	1,435,649	1,418,858
Stock compensation (notes 10 and 11)	81,969	68,731	108,617	173,760
Interest expense - long term	105	662	752	2,431
Interest expense - lease liability (note 8)	131	1,669	1,557	6,133
Interest expense - other	74	86	241	238
Depreciation of equipment	1,703	2,626	5,918	7,779
Foreign exchange loss	1,602	889	2,409	13,146
	533,413	536,948	1,555,143	1,622,345
Income before other income and provision for income taxes	511,139	296,584	1,346,680	962,464
Other income				
Interest income	24,327	35,470	74,026	103,092
Gain on disposal of assets	-	-	13,274	-
	24,327	35,470	87,300	103,092
Income before provision for income taxes	535,466	332,054	1,433,980	1,065,556
Provision for income taxes (note 13)				
Current	(166,924)	(100,104)	(425,401)	(301,682)
Deferred	7,746	24,507	30,576	25,307
	(159,178)	(75,597)	(394,825)	(267,375)
Net income and comprehensive income for the period	\$ 376,288	\$ 256,457	\$ 1,039,155	\$ 789,180
Net income per share				
Basic	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.02
Fully diluted	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.02
Weighted average shares outstanding				
Basic	36,936,701	37,111,932	36,860,289	36,871,003
Fully diluted	37,196,967	37,754,478	37,095,855	37,355,314

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

ZTEST Electronics Inc.**Unaudited Condensed Interim Consolidated Statements of Cash Flows**

(Stated in Canadian Dollars)

March 31, 2026

	Three months ended		Nine months ended	
	2026	2025	2026	2025
Cash flow from operating activities				
Net income for the period	\$ 376,288	\$ 256,457	\$ 1,039,155	\$ 789,180
Items not involving cash				
Depreciation of equipment	40,342	48,333	121,790	144,260
Depreciation of right of use assets	41,443	41,444	124,331	124,331
Imputed interest on lease liability	131	1,669	1,557	6,133
Stock compensation expense	81,969	68,731	108,617	173,760
Deferred taxes	(7,746)	(24,507)	(30,576)	(25,307)
	532,427	392,127	1,364,874	1,212,358
Changes in non-cash working capital items:				
Accounts receivable	8,407	25,955	(323,070)	520,528
Inventories	(221,828)	(83,238)	(439,570)	(104,918)
Prepaid expenses	(18,420)	(14,754)	(1,565)	(8,749)
Accounts payable and accrued liabilities	279,947	(57,052)	336,550	(60,292)
Government remittances payable	56,571	(12,951)	88,938	(312,462)
Customer deposits	(9,634)	8,819	4,845	(4,469)
	627,470	258,906	1,031,002	1,241,996
Cash flow from investing activities				
Purchase of equipment	(1,667)	(52,787)	(4,560)	(52,787)
Cash flow from financing activities				
Repayment of long-term debt	(16,934)	(16,376)	(50,359)	(48,691)
Repayment of lease liability	(46,403)	(46,401)	(139,207)	(139,205)
Issuance of common shares	-	45,000	54,845	90,000
Normal course issuer bid share repurchases	-	-	(19,072)	-
	(63,337)	(17,777)	(153,793)	(97,896)
Increase in cash and cash equivalents	562,466	188,342	872,649	1,091,313
Cash and cash equivalents, beginning	4,414,914	3,678,655	4,104,731	2,775,684
Cash and cash equivalents, ending	\$ 4,977,380	\$ 3,866,997	\$ 4,977,380	\$ 3,866,997

Supplemental Disclosure of Cash Flow Information:

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

Cash paid for interest	\$ 75	\$ 785	\$ 965	\$ 2,770
Cash paid for income taxes	\$ 113,055	\$ 113,055	\$ 329,165	\$ 614,144

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

ZTEST Electronics Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

March 31, 2026

1. Business of the Company

ZTEST Electronics Inc. (the Company) amalgamated under the laws of Ontario and carries on business at 523 McNicoll Avenue, Toronto, Ontario developing and assembling printed circuit boards. The Company's shares trade on the Canadian Securities Exchange (CSE) under the symbol "ZTE".

2. Significant Accounting Policies

Statement of compliance

The Company has prepared these unaudited condensed interim financial statements in accordance with IAS 34, *Interim Financial Reporting*, employing all the same accounting policies and methods of computation as disclosed in the annual financial statements as at June 30, 2025.

The notes to these unaudited condensed interim consolidated financial statements are intended to provide a description of events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since June 30, 2025. Certain disclosures that appear in the annual financial statements have not been reproduced in these unaudited condensed interim consolidated financial statements and, in this regard only, these unaudited condensed interim financial statements do not conform in all respects to the requirements of IFRS for annual consolidated financial statements. Accordingly, these unaudited condensed interim consolidated financial statements should only be read in conjunction with the annual financial statements as at June 30, 2025.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on May 22, 2026.

Basis of presentation

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

Basis of consolidation

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

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

Significant accounting judgments and estimates

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

Significant estimates and judgments include, but are not limited to, the assessment of the Company as a going concern, recoverability of inventory, the inputs used in applying the Black-Scholes valuation model, and the recognition and valuation of deferred tax amounts.

Financial instruments

The 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

Notes to Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

March 31, 2026

2. Significant Accounting Policies - continued

Financial instruments - continued

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

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

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. The Company has assessed the assets of all its operating entities and has determined that there is no impairment of its non-financial assets.

Cash and cash equivalents

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

Income per share

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

Stock options and warrants outstanding are excluded from the computation of diluted income per share if their inclusion would increase the income per share, or decrease the loss per share, or if their exercise price exceeds the average market price of the Company's shares for the financial reporting period.

Segment disclosure

The Company has a single location and operating segment accordingly, all revenues are generated in Canada and all assets are located in Canada.

Accounting standards effective for future periods

IFRS18, *Presentation and Disclosure in Financial Statements*: issued April 2024 and effective for annual periods beginning on or after January 1, 2027, with early adoption permitted. It supersedes IAS 1, *Presentation of Financial Statements*, and replaces presentation aspects of many existing standards, to set out requirements for the presentation and disclosure of information in general purpose financial statements. The Company intends to adopt IFRS 18 in its financial statements for the annual period beginning on July 1, 2027 and anticipates that its adoption may alter the way certain amounts and information are presented in its consolidated financial statements.

ZTEST Electronics Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

March 31, 2026

3. Inventories

The carrying value of inventory is comprised of:

	Mar. 31, 2026	June 30, 2025
Raw materials and supplies ⁽¹⁾	\$ 1,434,447	\$ 979,018
Work in process	32,265	47,792
Finished goods	21,249	21,581
	\$ 1,487,961	\$ 1,048,391

⁽¹⁾ Raw materials and supplies is presented net of provisions for obsolete and/or slow-moving items in the amount of \$63,737 (June 2025 - \$9,889). Management makes estimates of future demand when establishing appropriate provisions. To the extent that actual inventory losses differ from these estimates both inventories and net income will be affected.

Inventory utilization during the period was as follows:

	Mar. 31, 2026	Mar. 31, 2025
Raw materials and supplies used	\$ 2,806,204	\$ 2,623,622
Labour costs	723,253	705,889
Depreciation	115,872	136,481
Shipping and packaging	105,326	94,512
Stencils and tooling	24,055	21,630
Repairs and maintenance	12,175	24,417
Net change in finished goods and work in process	15,860	14,305
Cost of product sales	\$ 3,802,745	\$ 3,620,856

4 Equipment

	Computer Equipment	Office Equipment	Manufacturing Equipment	Leasehold Improvements	Total
Cost:					
Balance, June 30, 2024	\$ 220,187	\$ 71,277	\$ 3,358,177	\$ 84,143	\$ 3,733,784
Additions	2,031	-	50,756	-	52,787
Balance March 31, 2025	222,218	71,277	3,408,933	84,143	3,786,571
Additions	-	-	-	-	-
Balance, June 30, 2025	222,218	71,277	3,408,933	84,143	3,786,571
Additions	3,201	-	1,359	-	4,560
Balance March 31, 2026	\$ 225,419	\$ 71,277	\$ 3,410,292	\$ 84,143	\$ 3,791,131
Accumulated Depreciation:					
Balance, June 30, 2024	\$ (193,776)	\$ (70,938)	\$ (2,450,433)	\$ (80,672)	\$ (2,795,819)
Depreciation	(5,994)	(50)	(136,480)	(1,736)	(144,260)
Balance March 31, 2025	(199,770)	(70,988)	(2,586,913)	(82,408)	(2,940,079)
Depreciation	(2,235)	(18)	(50,144)	(578)	(52,975)
Balance, June 30, 2025	(202,005)	(71,006)	(2,637,057)	(82,986)	(2,993,054)
Depreciation	(4,721)	(40)	(115,872)	(1,157)	(121,790)
Balance March 31, 2026	\$ (206,726)	\$ (71,046)	\$ (2,752,929)	\$ (84,143)	\$ (3,114,844)

ZTEST Electronics Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

March 31, 2026

4. Equipment - continued

Carrying Amounts:

June 30, 2024	\$	26,411	\$	339	\$	907,744	\$	3,471	\$	937,965
March 31, 2025	\$	22,448	\$	289	\$	822,020	\$	1,735	\$	846,492
June 30, 2025	\$	20,213	\$	271	\$	771,876	\$	1,157	\$	793,517
March 31, 2026	\$	18,693	\$	231	\$	657,363	\$	-	\$	676,287

5. Right of use asset

The Company occupies its operating facility under a lease that expired March 2026. During the period, a lease extension was executed which will expire March 31, 2031. Although the commencement date for the lease extension is April 1, 2026, subsequent to the financial reporting date, a right-of-use asset has been recorded at cost equal to the present value of the remaining lease payments as determined on the commencement date, plus a refundable deposit paid at the inception of the lease. After initial recording, the carrying value of the right-of-use asset will be equal to cost less accumulated depreciation and, if any, impairment losses and remeasurement of the lease liability. Depreciation is calculated on a straight-line basis over the term of the lease and charged as an element of occupancy costs (*note 12*). There have been no impairment losses and no remeasurement of the lease liability.

Balance, June 30, 2024	\$	325,105
Depreciation recorded as an element of occupancy costs		(124,331)
Balance March 31, 2025		200,774
Depreciation recorded as an element of occupancy costs		(41,443)
Balance, June 30, 2025		159,331
Depreciation recorded as an element of occupancy costs		(124,331)
Cost recognized upon lease extension		1,037,551
Balance March 31, 2026	\$	1,072,551

6. Investments

The Company holds a non-controlling interest in Conversance Inc., a private Canadian technology company engaged in the development of its proprietary technology, from which the timing revenues, if any, is not currently determinable. The absence of cash flows made it infeasible for the Company to ascertain the value of Conversance Inc. as a going concern in a prior period and the carrying value of the investment was reduced to \$1. Should circumstances warrant, this provision may be reversed to the extent that the carrying value of the investment at the time of reversal does not exceed the carrying value that would have resulted had the provision not been recorded.

The shares of Conversance Inc. are subject to a hold period and, unless permitted under securities legislation, the shares may not be traded before the date that is four months and a day after the issuer becomes a reporting issuer in any province or territory.

ZTEST retains its right, provided it holds more than 15%, to maintain its ownership interests by subscribing for the requisite number of Class A common shares of Conversance, at the same price and payment terms applicable to any financing. During the 2024 fiscal year, ZTEST declined participation in a convertible debt financing completed by Conversance. Participants have the right to convert all or a portion of the promissory notes into Class A common shares of Conversance. Had conversions arisen then the Company's ownership interests would have been reduced however, to the best of the Company's knowledge, no conversions have taken place.

	Mar. 31 2026	June 30 2025
296,250 Class A common shares, representing a 25.29% interest	\$ 1,129,762	\$ 1,129,762
Equity in post-acquisition losses and impairment provisions	(1,129,761)	(1,129,761)
	\$ 1	\$ 1

ZTEST Electronics Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

March 31, 2026

7. Operating loan

The Company has a line of credit, which can be drawn to a maximum of \$1,000,000, bears interest at the TD Bank prime lending rate plus 1.5% (June 2025 ñ prime + 1.8%), is due upon demand, and is secured by a general security agreement covering the assets of PEC. No amount was drawn on this line of credit on March 31, 2026 or June 30, 2025.

8. Lease liability

The Company occupies its operating facility under a lease extension that expired March 2026. During the period, a lease extension was executed which will expire March 31, 2031. Although the commencement date for the lease extension is April 1, 2026, subsequent to the financial reporting date, a new lease liability has been recorded at cost equal to the present value of the remaining lease payments as determined on the commencement date. The expiring lease was discounted at 3.386% and the new lease liability has been recorded at the present value of the lease payments, discounted using the Company's incremental borrowing rate on the commencement date, of 5.012%. The lease liability will be subsequently reduced by lease payments paid and increased by imputed interest as follows:

Balance June 30, 2024	\$	315,834
Lease payments paid during period		(139,205)
Interest imputed		6,133
Balance March 31, 2025		182,762
Lease payments paid during period		(46,402)
Interest imputed		1,289
Balance, June 30, 2025		137,649
Lease payments paid during period		(139,207)
Interest imputed		1,557
Lease obligation arising upon lease extension		1,037,551
Balance March 31, 2026		1,037,551
Less current portion		(164,420)
	\$	873,131

9. Long-Term Debt

	Mar. 31, 2026	June 30, 2025
Term loan bearing interest at 3.386% is secured by a general security agreement covering the assets of PEC, and matures April 2026. The remaining balance, plus applicable interest, is due at maturity.	\$ 5,732	\$ 56,091
Less: current portion	(5,732)	(56,091)
	\$ -	\$ 56,091

The final payment was made April 2026, and the loan was extinguished.

10. Share Capital

Authorized

Unlimited Common shares

Unlimited Preferred shares in one or more series.

Issued

	Mar. 31, 2026	June 30, 2025
Common shares	\$ 25,143,154	\$ 25,081,033

ZTEST Electronics Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

March 31, 2026

10. Share Capital - continued

Issued - continued

Common shares:	Number of Shares ⁽¹⁾	Amount
Balance, June 30, 2024	36,545,821	25,186,285
Stock options exercised	450,000	65,817
Warrants exercised	150,000	67,844
Balance, March 31, 2025	37,145,821	25,319,946
Shares repurchased under Normal Course Issuer Bid ⁽²⁾	(350,500)	(238,913)
Balance, June 30, 2025	36,795,321	25,081,033
Broker warrants exercised	219,380	115,288
Shares repurchased under Normal Course Issuer Bid ⁽²⁾	(78,000)	(53,167)
Balance, March 31, 2026	36,936,701	\$ 25,143,154

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

⁽²⁾ The Company initiated a Normal Course Issuer Bid (NCIB) which entitled it to repurchase up to 2,727,923 of its common shares on the open market between April 1, 2025 and March 31, 2026. Prior to March 31, 2026, the Company repurchased and cancelled 428,500 common shares at an aggregate cost of \$131,959. Subsequent to the financial reporting date, the Company renewed its NCIB under which it may repurchase up to 3,129,311 of its common shares, representing approximately 10% of its public float, on the open market between April 24, 2026 and April 23, 2027. The Company is not obligated to acquire any common shares and may suspend or discontinue purchases under the NCIB at any time.

Details of warrants outstanding:

	Number of Warrants	Amount
Balance, June 30, 2024	2,739,380	444,229
Warrants exercised	(150,000)	(22,844)
Balance, March 31, 2025 and June 30, 2025	2,589,380	421,385
Broker warrants exercised	(219,380)	(60,443)
Warrants expired	(2,370,000)	(360,942)
Balance, March 31, 2026	-	\$ -

	Number of Warrants	Weighted Average Price per Warrant	Weighted Average Expiry Date
Balance, June 30, 2025	2,589,380	\$ 0.30	Nov. 8, 2025
Broker warrants exercised during the period	(219,380)	\$ 0.25	Nov. 8, 2025
Warrants expired during the period	(2,370,000)	\$ 0.30	Nov. 8, 2025
Balance, March 31, 2026	-	\$ -	-

No warrants were issued during the period ended March 31, 2026, or the year ended June 30, 2025, and no warrants were outstanding on March 31, 2026.

Details of options outstanding:

	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	900,000	\$ 0.28	Dec. 15, 2030
Balance, March 31, 2026	2,450,000	\$ 0.27	Nov. 4, 2029

ZTEST Electronics Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

March 31, 2026

10. Share Capital - continued

Details of options outstanding - continued:

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

	Mar. 31, 2026	June 30, 2025
Dividend yield	Nil	Nil
Risk free interest rate (%)	3.00	1.05 ñ 2.92
Expected stock volatility (%)	134.98	143.56 ñ 146.09
Expected life (years)	5	5

The following stock options were outstanding on March 31, 2026:

	Common Shares Under Option	Number of Options Vested	Exercise Price	Expiry Date
	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⁾	800,000	\$ 0.30	Aug. 15, 2029
Granted January 17, 2025	100,000	100,000	\$ 0.40	Jan. 17, 2030
Granted December 15, 2025	800,000 ^(1,2)	-	\$ 0.28	Dec. 15, 2030
Granted December 15, 2025	100,000 ⁽²⁾	-	\$ 0.28	Dec. 15, 2030

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

⁽²⁾ These options will vest as to 50% on June 15, 2026 and 50% on December 15, 2026.

Share based payment transactions and contributed surplus

The Company has a stock option plan. The aggregate number of common shares reserved for issuance under this plan cannot exceed 10% of the aggregate number of common shares of the Company that are issued and outstanding. The Company has granted options for the purchase of common shares to employees, directors, officers and a consultant and may also grant stock options to other service providers. The fair values of stock options granted have been determined using the Black-Scholes model and are added to contributed surplus as follows:

	Mar. 31, 2026	June 30, 2025
Contributed surplus, beginning of period	\$ 1,962,362	\$ 1,773,957
Stock options granted ⁽¹⁾	108,617	209,222
Stock options exercised	-	(20,817)
Warrants expired	360,942	-
Contributed surplus, end of period	\$ 2,431,921	\$ 1,773,957

⁽¹⁾ Under the Black Scholes valuation model, \$186,717 was ascribed to the stock options granted August 15, 2024, \$35,772 to the stock options granted January 15, 2025, and \$217,491 to the stock options granted December 15, 2025. These amounts are charged to net income over the applicable vesting periods and resulted in \$108,617 being recognized in the current period. As of March 31, 2026, \$122,142 of the value ascribed to the stock options granted December 15, 2025 is yet to be charged to net income.

11. Related Party Transactions and Balances

The Company had transactions during the period with key management personnel. All expenses and period end balances with related parties are at exchange amounts established and agreed to by the related parties. All transactions with related parties are in the normal course of operations and have been carried out on the same terms as those accorded to unrelated parties.

ZTEST Electronics Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

March 31, 2026

11. Related Party Transactions and Balances - continued

	Mar. 31, 2026	Mar. 31, 2025
Employee and consultant compensation	\$ 456,696	\$ 418,041
Professional fees	61,409	71,281
	<u>\$ 518,105</u>	<u>\$ 489,322</u>
Stock-based compensation	\$ 96,425	\$ 151,708

On March 31, 2026 there was \$221,922 (June 30, 2025 - \$309,281) payable to key management personnel and included in accounts payable and accrued liabilities.

12. Selling, general and administrative expenses

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

	Mar. 31, 2026	Mar. 31, 2025
Employee and consultant compensation (<i>note 11</i>)	\$ 929,698	\$ 931,593
Occupancy costs (<i>note 5</i>)	253,694	255,822
Professional fees (<i>note 11</i>)	113,159	114,054
Shareholder services	46,317	33,183
Insurance	30,855	29,710
Travel and promotional activities	34,603	29,227
Office and general expenses	27,323	25,269
	<u>\$ 1,435,649</u>	<u>\$ 1,418,858</u>

13. Income Taxes

Current Income Tax

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

	Mar. 31, 2026	Mar. 31, 2025
Net income before income taxes	\$ 1,433,982	\$ 1,065,556
Expected income tax	\$ 380,005	\$ 282,373
Amounts not deductible for income tax purposes	25,325	43,851
Temporary timing differences	20,071	(24,541)
Income tax expense - current	<u>\$ 425,401</u>	<u>\$ 301,683</u>

Deferred Tax

Deferred taxes are provided because of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. The following table summarizes the components of deferred tax:

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

	Mar. 31, 2026	June 30, 2025
Deferred tax assets: Inventory	\$ 16,980	\$ 2,621
Deferred tax liabilities: Temporary timing differences	140,830	157,137
Net deferred tax liabilities	<u>\$ 123,940</u>	<u>\$ 154,516</u>

ZTEST Electronics Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

March 31, 2026

13. Income Taxes - continued

Deferred Tax - continued

Unrecognized Deferred Tax Assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	Mar. 31, 2026	June 30, 2025
Share issuance costs	\$ 12,211	\$ 16,282
Equipment	3,768	3,757
Resource related expenditures	85,463	92,498
Scientific research and experimental development	278,414	278,414
Non-capital loss carry-forwards	477,188	480,116
Net capital loss carry-forwards	4,132,142	4,132,142
Income tax expense - deferred	4,989,186	5,003,209
Unrecognized deferred tax assets	(4,989,186)	(5,003,209)
Net deferred tax assets	\$ -	\$ -

Share issue costs expire in 2028, and non-capital loss carry-forwards expire from 2035 to 2043. The remaining deductible temporary differences may be carried forward indefinitely, but net capital loss carry-forwards can only be used to reduce capital gains. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

14. Capital disclosures

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

	Mar. 31, 2026	June 30, 2025
Long-term debt	\$ 5,732	\$ 56,092
Share Capital	25,143,154	25,081,033
Warrants	-	421,385
Contributed surplus	2,431,921	1,962,362
Deficit	(20,584,913)	(21,658,163)
Net capital under management	\$ 6,995,894	\$ 5,862,709

15. Financial risk factors

The Company is exposed in varying degrees to the following financial instrument related risks:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The 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 March 31, 2026 or March 31, 2025.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

March 31, 2026

15. Financial risk factors - continued

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 nine-month period, the Company had two major customers, who represented 19% and 12% of total revenues. In the comparative period, there were three major customers which represented 22%, 17% and 12% of revenues. Amounts due from major customers represented approximately 34% of accounts receivable on March 31, 2026 (Mar. 31, 2025 - 44%). 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 March 31, 2026, the Company had current financial assets of \$6,328,170 (June 30, 2025 - \$5,132,451) available to settle current financial liabilities of \$1,643,029 (June 30, 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 period the Company has reported a foreign exchange loss in the amount of \$2,409 (March 31, 2025 - loss of \$13,146).

Sensitivity to market risks

On March 31, 2026, 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\$62,317 (June 30, 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 \$3,116 in future cash inflow.
- US\$197,499 (June 30, 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 \$9,875 in future cash outflow.

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