General

The following managementôs discussion and analysis (ñMD&Aò) of the financial condition and results of operations of ZTEST Electronics Inc. (ñZTESTò or the ñCompanyò) constitutes managementôs review of the factors that affected the Companyôs interim consolidated financial and operating performance for the six months ended December 31, 2024. The MD&A was prepared as of February 25, 2025 and was approved by the Board of Directors on February 25, 2025. It should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the six months ended December 31, 2024, and the audited consolidated financial statements for the year ended June 30, 2024, 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, Permatech Electronics Corporation (ñPECò), the Company operates a single business segment developing and assembling printed circuit boards and other electronic equipment. The Companyôs shares trade on the Canadian Securities Exchange under the symbol "ZTE".

The Companyôs management, which has not changed since the annual general meeting held July 11, 2024, is currently as follows:

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

[*] Acts as Committee Chair
[(1)] Member of the Audit Committee
[(2)] Director of Permatech Electronics Inc.

Corporate Performance

The headwinds that we alluded to in previous quarterly reports played a significant role in Q2 2025 as the string of eleven consecutive quarters with year over year growth came to an end. Revenues for Q2 2025 were $2,080,861, down from the $2,459,917 realized in Q2 2024. Revenues for the first six months of 2025 were $4,100,368, down 5.5% from 2024 levels. Following Q3 2024 we commented that suppliers had advised that their sales volumes were declining, suggesting that a market-wide contraction may be occurring. In the months that followed, we have experienced a reduction in the volume of quotations being sought, a reduction in the size of orders being placed, and deferral of expected orders by some customers. This industry, like most, goes through bullish cycles like we experienced over the preceding two fiscal years and more conservative cycles like we are apparently in now. We take little solace in allegations that some of our competitors have been more negatively impacted than we have, preferring to seek out opportunities that current market conditions may create.

The Company always embraces the chance to explore the future requirements of existing and prospective customers, and recent communications are starting to provide some reason for optimism. Although the inadequately defined threat of tariffs on imports and exports is certainly adding to market uncertainty, we have begun hearing suggestion of larger future orders. Suggestion is quite different from realization however a return to more bullish times is always preceded by a reduction in negative market sentiment. The Company will continue to explore opportunities to solidify and expand its market share and to ensure we are prepared to capitalize when more favourable market conditions return.

Corporate Performance - continued

Although market conditions and revenue levels are not where we want them to be, our results continued to display significant positivity through further enhancements to liquidity, additional reduction of debt, and more growth of capital under management. The Company continued to add to its current and total assets and to do so while simultaneously reducing current and total liabilities. Positive cash flows from operations allowed the Company to reduce debt and add to its already strong cash position. Meanwhile, profitable operations and proceeds from the exercise of stock options added to shareholdersô equity. Management will continue to manage business risks with the objective of adding shareholder value.

The Company is currently well funded, with strong liquidity and low leverage, and is investigating strategic opportunities to invest capital to enhance future growth. While no such investment is imminent, management believes that enhancing market share will help to counteract persisting uncertainties in the printed circuit board market and will position the Company to capitalize, yet again, when those market uncertainties wane.

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

	For the fiscal years ended:		
	June 2024	June 2023	June 2022
Total Revenues	9,756,044	5,702,239	4,415,275
Net income (loss) for the year	1,753,269	165,274	(266,878)
Per share - basic	0.058	0.006	(0.010)
Total assets	7,007,632	3,941,742	3,081,924
Total long-term financial liabilities	359,173	518,717	729,032
Total liabilities	2,510,914	2,834,331	2,198,767

	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 (loss) 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

	For the fiscal quarters ended:			
	Dec. 2023	Sept. 2023	June 2023	Mar. 2023
Total Revenues	2,459,917	1,879,486	1,797,424	1,594,507
Net income (loss) for the period	504,329	171,884	172,983	191,154
Per share - basic	0.018	0.006	0.006	0.007
Total assets	4,418,818	4,504,461	3,941,742	4,000,133
Total long-term financial liabilities	360,027	456,015	518,717	556,678
Total liabilities	2,277,704	3,225,166	2,834,331	3,088,834

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.

Corporate Performance - continued

Six month periods ended December 31	2024	2023
Net income for the period	532,724	676,213
Income tax provision	200,778	127,424
Interest expense ï cash based	1,921	5,568
Interest expense ï lease liability	4,464	7,366
Depreciation of equipment	95,927	41,229
Depreciation of right of use asset	82,887	82,887
EBITDA	918,071	940,687
EBITDA per share - basic	0.025	0.034

Three month periods ended December 31	2024	2023
Net income for the period	208,604	504,329
Income tax provision	99,129	47,259
Interest expense ï cash based	891	2,011
Interest expense ï lease liability	2,045	3,508
Depreciation of equipment	47,963	20,642
Depreciation of right of use asset	41,444	41,443
EBITDA	400,076	619,192
EBITDA per share - basic	0.011	0.022

Results of Operations

Revenues during the second quarter of 2025 were down more than 15% year-over-year, marking the first time in twelve quarters wherein there has not been year-over-year improvement. Revenues for the six months ended December 2024 were down 5.5% in comparison to the prior year. Each and every period, there are variations in product mix between turnkey and non-turnkey work and there are variations in the labour-materials mix within the turnkey work completed. For the six month period turnkey revenues declined approximately 12% in comparison to the prior year while non-turnkey revenues increased almost 32%. These mix factors are entirely dependent upon customer demand and the specific printed circuit boards completed during the period. This mix tends to result in lower periodic revenues than would have been achieved had both labour and materials trended towards the respective averages.

While revenues declined just over 15% during the second quarter, the resulting gross margins declined slightly less than 15%. In other words, the gross margin percentage increased marginally in spite of the revenue decline, essentially holding at 40% for the period. This follows the first quarter of 2025 when the gross margin percentage rose almost 4% and results in total gross margin for the six month period rising from $1,622,895 at December 2023 to $1,751, 277 at December 2024. The different elements of cost of product sales for the periods ended September 30, and the changes realized, were as follows:

Six month periods ended December 31	2024	2023	Change
Raw materials and supplies consumed	$ 1,670,086	$ 2,107,633	$ (437,547)
Labour costs incurred	479,908	537,496	(57,588)
Depreciation	90,774	39,173	51,601
Shipping and packaging	57,787	55,008	2,779
Stencils and tooling	13,010	28,848	(15,838)
Repairs and maintenance	15,812	9,546	6,266
Net change in finished goods and work in process	21,714	(61,196)	82,910
Total cost of product sales	$ 2,349,091	$ 2,716,508	$ (367,417)

Results of Operations - continued

Three month periods ended December 31		2024		2023		Change
Raw materials and supplies consumed	$	927,390	$	1,166,801	$	(239,411)
Labour costs incurred		231,456		267,079		(35,623)
Depreciation		45,386		19,587		25,799
Shipping and packaging		31,562		23,903		7,659
Stencils and tooling		4,460		11,057		(6,597)
Repairs and maintenance		9,892		7,066		2,826
Net change in finished goods and work in process		882		(8,591)		9,473
Total cost of product sales	$	1,251,028	$	1,486,902	$	(235,874)

The cost of raw materials and supplies consumed declined more than 20% in the most recent quarter, and almost 21% in the six month period, when compared to last year. It was identified during the first quarter that there had been a shift in the labour-materials mix for turnkey work as the percentage decline in material costs was significantly more than the decline in turnkey revenues. The decline in costs again outpaced the decline in related revenues in the second quarter however the disparity was not as great as it had been in the first quarter. Turnkey revenues for the second quarter were 16% less than they had been one year earlier, as compared to the 20% decline in materials cost. For the six month period, turnkey revenues were down almost 12%, as compared to the 21% decline in costs. As noted in prior periods, the materials that go into each circuit board, and the labour-materials mix for each circuit board, are unique contributing to variation in materials cost from one period to the next.

Labour costs incurred have declined year-over-year for the 2nd consecutive quarter, signifying the end of a string of seven consecutive quarters where costs were rising. The Company has always worked with its personnel to match labour supply with labour demand. When demand is high personnel not only work their full shifts but also contribute overtime. When demand is not as high then overtime declines significantly and some personnel work less than their full shifts. In Q1 and Q2 2024 labour demand was quite high, not only to produce the product shipped during the periods but also adding to finished goods and work in process for product to be shipped in subsequent periods. During the first two quarters of 2025 demand was less as is reflected by the costs incurred. The Company has not reduced the size of its workforce and has no plans to do so.

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 is still indicative of the net labour costs included in cost of product sales when it is combined with labour costs incurred. The aggregate labour costs for the recent quarter equated to $232,338 as compared to $258,488 the year prior, a decline of just over 10% due to the significant decline in overtime and the overall reduction in demand as signified by the revenue decline. This follows the first quarter where costs rose more than 23% due to the labour-materials mix on turnkey work and a short-term surge in non-turnkey work. For the six month period these costs have risen more than 5%, going from $476,300 to $501,622.

Depreciation costs have increased, in line with expectations. This is the impact of the installation and activation of new production equipment during that final quarter of the 2024 fiscal year which always translates into higher periodic depreciation charges over the first two fiscal years of its useful life. This means that costs will be greatest in fiscal 2025 after which they will begin to decline, at least until the next significant acquisition.

Shipping and packaging costs rose in the most recent quarter, more than offsetting a decline in the previous quarter such that costs are up just over 5% year-to-date. There are several contributing factors including rising shipping rates, making more frequent smaller shipments, and the fact 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.

Results of Operations - continued

Stencils and tooling are primarily incurred at the time that the Company prepares for assembly of boards it has never produced before. This can be on account of a brand 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 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 thus far in fiscal 2025. The increases are very minor in magnitude and are representative of ongoing maintenance.

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

Six month periods ended December 31	2024	2023	Change
Employee and consultant compensation	$ 628,263	$ 539,720	$ 88,543
Occupancy costs	165,885	166,826	(941)
Professional fees	70,959	52,082	18,877
Travel and promotional activities	28,533	10,908	17,625
Shareholder services	26,002	10,596	15,406
Insurance	19,548	18,084	1,464
Office and general expenses	17,383	17,548	(165)
Total selling, general and administrative	$ 956,573	$ 815,764	$ 94,891

Three month periods ended December 31	2024	2023	Change
Employee and consultant compensation	$ 311,371	$ 278,533	$ 32,838
Occupancy costs	83,283	82,594	689
Professional fees	29,508	31,570	(2,062)
Travel and promotional activities	17,395	10,241	7,154
Shareholder services	5,378	6,078	(700)
Insurance	9,774	9,042	732
Office and general expenses	9,824	7,787	2,037
Total selling, general and administrative	$ 466,533	$ 425,845	$ 40,688

Employee and consultant compensation costs include salaries, benefits, consulting fees, and directorsô fees. Salaries and benefits have increased while consulting fees and directorsô fees each declined. Effective July 1, 2024 the Companyôs 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. Directorsô fees declined due to having one fewer director through most of the current period.

The Companyôs 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. Minor fluctuations result from variable demand and rates applicable for utilities and variances in common area maintenance charges. It is anticipated that occupancy costs will remain relatively comparable from period to period until the current lease expires in March 2026.

Professional fees are comprised of fees for legal services, costs related to the annual financial statement audit, and fees for reporting required by the Companyôs financial institution and the filing of annual income tax returns. These fees were relatively comparable in the most recent quarter but remain higher on a year to date basis due to the incremental costs related to the shareholders meeting held July 2024 and an adjustment to new market rates for audit fees.

Results of Operations - continued

Travel and promotional fees have risen in each of the first two quarters of 2025, primarily due to the Companyõs attendance at investor conferences. There were no similar activities during fiscal 2024.

Shareholder services are comparable for the most recent quarter but continue to be higher on a year-to-date basis as a direct result of the shareholdersô meeting held July 2024.

Insurance costs reflect minor premium fluctuation 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.

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

The Companyõs cost of borrowing, and the changes realized, were as follows:

Six month periods ended December 31		2024		2023		Change
Interest expense ï long term	$	1,769	$	2,854	$	(1,085)
Interest expense ï other		152		2,714		(2,562)
Interest expense ï lease liability		4,464		7,366		(2,902)
Total financing expenses	$	6,385	$	12,934	$	(6,549)

Three month periods ended December 31		2024		2023		Change
Interest expense ï long term	$	815	$	1,359	$	(544)
Interest expense ï other		76		652		(576)
Interest expense ï lease liability		2,045		3,508		(1,463)
Total financing expenses	$	2,936	$	5,519	$	(2,583)

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 ï other represents interest arising from the use of the Companyõs operating line as well as miscellaneous interest charges incurred. There has been no use of the Companyõs operating line during the current period resulting in lower expense.

The Companyõs 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 lease liability expires March 31, 2026.

Liquidity

On December 31, 2024, the Company had working capital of $4,328,785 (June 30, 2024 ï $3,592,820) and current financial assets of $4,874,432 (June 30, 2024 ï $4,466,034) available to settle current financial liabilities of $1,839,849 (June 30, 2024 ï $2,151,741).

The Company also has access to a $1,000,000 bank operating line, of which $Nil (June 30, 2024 ï $Nil) had been drawn as of December 31, 2024, 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, 2024:

Liquidity - continued

	Due by Dec. 2025	Due by Dec. 2026	Due after Dec. 2026	Total Due
Term loan	$ 66,301	$ 22,667	$ -	$ 88,968
Lease liability	181,223	46,271	-	227,494
	$ 247,524	$ 68,938	$ -	$ 316,462

Capital Resources

The Company has a $1,000,000 commercial line of credit from which $Nil (June 2024 - $Nil) was drawn on December 31, 2024. The loan bears interest at the TD Bank prime lending rate 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 $88,968 remains payable on December 31, 2024. 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 Companyós securities have occurred since June 30, 2024:

Prior to December 31, 2024:

- 450,000 stock options were exercised for cash proceeds of $45,000;
- The Company granted 800,000 stock options to directors and officers. These options will vest as to 50% on February 15, 2025 and 50% on August 15, 2025 and entitle the holder to acquire a common share at $0.30 until August 15, 2029;

Subsequent to December 31, 2024:

- The Company granted 100,000 stock options to a consultant. These options will vest as to 50% on April 15, 2025 and 50% on July 15, 2025 provided the consultant continues to be retained by the Company. The options entitle the holder to acquire a common share at $0.40 until January 15, 2030;
- 150,000 warrants were exercised for cash proceeds of $45,000.

Related Party Transactions

The Company had transactions during the periods with key management personnel. During the current period, these included 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 (CFO), Directorsô fees paid to Directors of the Company and its subsidiary, 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 the comparative period 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:

Six month periods ended December 31	2024	2023
Salaries and benefits (1)	$ 284,326	$ 119,179
Consulting fees (1)	-	72,000
Directorsô fees (1)	22,000	30,000
Legal fees (2)	36,369	20,646
Accounting fees (2)	6,000	6,000
Cash based expenditures	$ 326,695	$ 247,825
Share-based payments	$ 105,029	$ -

(1) Reported in the consolidated financial statements as an element of employee and consultant compensation.
(2) Reported in the consolidated financial statements as an element of professional fees.

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:

	2024	2023
Consulting fees payable	$ 241,513	$ 356,114
Directorsô fees payable	$ -	$ 140,660
Salaries and benefits payable	$ 62,667	$ 53,729
Legal fees payable	$ 4,779	$ 48,711

The following stock options have been issued to Directors and/or Officers of the Company and its subsidiary and were outstanding on December 31, 2024, 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 (1)	Aug. 15, 2029	800,000

(1) 50% of these stock options vested February 15, 2025 and the remaining 50% will vest on August 15, 2025.

Convertible Instruments and Other Securities

The Company has the following securities issued and outstanding:

Shares issued	Quantity	Amount
Common shares, June 30, 2024	36,545,821	$ 25,186,285
Stock options exercised	450,000	65,817
Common shares, December 31, 2024	36,995,821	25,252,102
Warrants exercised	150,000	67,844
Common shares at the date of this document	37,145,821	$ 25,319,946

In addition to the shares issued and outstanding, the Company has the following shares reserved for possible future issuance:

Common shares reserved	Expiry Date	Number of Common Shares
To be issued for Class A shares (1)		8,246
Warrants @ $0.25 per share	Nov. 2025	219,380
Warrants @ $0.30 per share	Nov. 2025	2,520,000
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
Common shares reserved, December 31, 2024		4,197,626
Stock options granted (2)		100,000
Warrants @ $0.30 per share exercised		(150,000)
Common shares reserved, at the date of this document		4,147,626

(1) 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.

(2) On January 15, 2025 the Company granted 100,000 stock options to a consultant. These options have an exercise price of $0.40, vest as to 50% on April 15, 2025 with the remaining 50% vesting July 15, 2025 provided the consultant continues to be retained by the Company, and expire January 15, 2030.

Convertible Instruments and Other Securities - continued

Fully diluted number of shares	Quantity
Shares issued to December 31, 2024	36,995,821
Shares reserved on December 31, 2024	4,197,626
Fully diluted number of shares, December 31, 2024	41,193,447
Shares issued after December 31, 2024	150,000
Changes to shares reserved after December 31, 2024	(50,000)
Fully diluted number of shares, at the date of this document	41,293,447

Additional disclosures relative to warrants are as follows:

No warrants were issued during the periods ended December 31, 2024 or December 31, 2023 however during the year ended June 30, 2024, in connection with the private placement, the Company issued 2,520,000 share purchase warrants at $0.30 and 219,380 broker warrants at $0.25 expiring November 8, 2025. The following weighted average assumptions were used to calculate the fair value of the warrants and broker warrants issued:

	Dec. 31 2024	June 30 2024
Dividend yield	None granted	Nil
Risk free interest rate (%)	None granted	4.32
Expected stock volatility (%)	None granted	196.02
Expected life (years)	None granted	1.5

Transactions involving warrants are summarized as follows:

	Number of Warrants		Amount
Balance, Dec. 31, 2024 and June 30, 2024	2,739,380	$	444,229
Exercised after December 31, 2024	(150,000)		(22,844)
Balance, at the date of this document	2,589,380	**$**	**421,385**

	Number of Warrants		Weighted Average Price per Warrant	Weighted Average Expiry Date
Balance, Dec. 31, 2024 and June 30, 2024	2,739,380	$	0.30	Nov. 8, 2025
Exercised after December 31, 2024	(150,000)	$	0.30	Nov. 8, 2025
Balance, at the date of this document	2,589,380	$	0.30	Nov. 8, 2025

Additional disclosures relative to stock options are as follows:

During the period ended December 31, 2024 the Company granted 800,000 stock options, entitling the holders to exercise at a price of $0.30 per share until August 15, 2029. 50% of these options vested February 15, 2025 and the remaining 50% will vest August 15, 2025. No stock options were granted during the period ended September 30, 2023 however later during the year ended June 30, 2024 the Company granted 350,000 stock options which vested immediately, entitling the holders to exercise at a price of $0.27 per share until March 28, 2029. The following weighted average assumptions were used to calculate the fair value of the stock options granted during the periods:

	Sept. 30 2024	June 30 2024
Dividend yield	Nil	Nil
Risk free interest rate (%)	3.414	3.243
Expected stock volatility (%)	147.76	135.92
Expected life (years)	5	5

Convertible Instruments and Other Securities - continued

	Common Shares Under Option		Weighted Average Price/Option	Weighted Average Expiry Date
Balance, June 30, 2024	1,100,000	$	0.15	Mar. 21, 2028
Stock options altered [1]	(200,000)	$	0.10	Sept. 30, 2027
Stock options altered [1]	200,000	$	0.10	Jan. 7, 2025
Stock options exercised	(450,000)	$	0.10	July 14, 2026
Stock options granted	800,000	$	0.30	Aug. 15, 2029
Balance, December 31, 2024	1,450,000	$	0.25	Feb. 20, 2029
Stock options granted	100,000	$	0.40	Jan. 15, 2030
Balance, at the date of this document	1,550,000	$	0.23	Aug. 22, 2028

(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 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, 2023	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]	400,000	$	0.30	Aug. 15, 2029
Granted January 15, 2025	100,000	-	$	0.40	Jan. 15, 2030

(1) Directors and/or Officers of the Company and its subsidiary hold these options.
(2) 400,000 stock options vested February 15, 2025.

Financial instruments

The Companyôs financial instruments are comprised of the following:

Financial assets:	*Classification*
Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost

Financial liabilities:	*Classification*
Bank operating loan	Amortized cost
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
Deferred taxes	Amortized cost

Amortized cost ï 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 assetøs 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 armøs 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 ñloss eventò) 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 period 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 Companyøs 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 Companyøs 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 Companyøs 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 Companyøs 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 Companyøs 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 current period.

Risk Factors - continued

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Companyôs 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, 2024 or December 31, 2023**.**

Concentration of credit risk

Concentration of credit risk arises when one or more customers, defined as a major customer, individually account for 10% or more of the Companyôs revenues during a reporting period. During the current period, the Company had 2 major customers which represented 25% and 15% of revenues (Dec. 31, 2023 - 2 customers, 20% and 16% of revenues). Amounts due from these customers represented approximately 42% of accounts receivable at December 31, 2024 (Dec. 31, 2023 ï 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 December 31, 2024 the Company had current financial assets of $4,874,432 (June 30, 2024 - $4,466,034) available to settle current financial liabilities of $1,839,849 (June 30, 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 Companyôs 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 $12,257 (Dec. 31, 2023 ï loss of $8,504).

Sensitivity to market risks

On December 31, 2024, the Company had:

- A bank operating loan of which $Nil was drawn (June 30, 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$194,900 (June 30, 2024 ï 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 $9,745 in future cash inflow.
- US$289,704 (June 30, 2024 ï 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 $14,485 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 ñforward-looking informationò 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 ñmayò, ñwouldò, ñshouldò, ñcouldò, ñexpectò, ñintendò, ñestimateò, ñanticipateò, ñplanò, ñforeseeò, ñbelieveò, or ñcontinueò, 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 ñRisk Factorsò, reliance on key personnel, inability to attract and retain qualified personnel, utilization of our workforce, labour relations, growth initiatives, long sales cycles, risks related to developing customer base, availability of financing for our customers, the cost of raw materials, cost overruns, risks related to performance, cost and timing of numerous technical, productivity and supply chain requirements, interruptions in the global supply chain, unknown use of forced and child labour within our supply chain, additional capital requirements, fluctuations in EBITDA, fluctuations in quarterly operating results, exchange rate fluctuations, competition, sensitivity to general economic conditions, brand and corporate reputation, product liability and warranty claims, equipment availability, reliance on manufacturers, product defects, continued access to appropriate facilities, litigation, risks related to income tax matters, environmental regulations, health and safety matters, risks related to global epidemics and pandemics and other health crises, dependence on IT systems, and business operations could be adversely affected by computer hacking. New risk factors may arise from time to time, and it is not possible for management of the Company to predict all those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those expressed or implied in such forward-looking information.

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

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