ZTEST Electronics Inc.
Managementôs Discussion and Analysis
For The Three Month Period Ended September 30, 2015
(Prepared as at November 24, 2015)

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 condensed consolidated financial and operating performance for the three months ended September 30, 2015. The MD&A was prepared as of November 24, 2015 and was approved by the Board of Directors on November 24, 2015. It should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the three months ended September 30, 2015, and the audited consolidated financial statements for the year ended June 30, 2015, 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.sedar.com.

The Company

The Company is located at 523 McNicoll Avenue, Toronto, Ontario and operates a single business segment designing, developing, and assembling printed circuit boards and other electronic equipment. The management of the Company, which has not changed since the preceding fiscal year end, is comprised of the following individuals:

Name	Position(s)
Wojciech Drzazga	Director and CEO
John Perreault [(1)]	Director and President
K. Michael Guerreiro [(1) (2)]	Director
Mike Hiscott [(1) (2)]	Director
Michael D. Kindy	VP Finance & CFO
William R. Johnstone	Secretary

(1) Denotes member of audit committee
(2) Denotes member of compensation committee

Corporate Performance

The first quarter of 2016 is, on the surface, reflective of some of the inconsistency that has prevailed in the market in recent periods due to market consolidation and contraction. In recent prior periods customer orders were somewhat sporadic as orders from previously significant but now departed customers were being replaced with generally smaller orders from new customers. While we do not yet claim that orders are arriving consistently the customer base has remained stable and it is believed that the results of the current period are less reflective of inconsistent ordering and more reflective of when deliveries were requested by its customers.

One strong indication that deliveries are pending for the near-future is the 30% increase in inventory during the quarter. This includes an increase of $92,047 in raw materials and supplies on hand as well as an increase of $23,568 in labour costs included in inventory. As a custom manufacturing facility, increases of this nature do not arise unless there are specific orders that support such increases.

The $115,615 investment in inventory was funded entirely through operations as the Company produced cash flow from operations of $201,167 during the quarter and marginally increased its working capital surplus to $600,920. The inventory investment did have a negative impact on one aspect of the Companyôs liquidity however as the surplus of current financial assets, which excludes inventory, over current financial liabilities declined by $106,532 during the quarter.

Based upon the financial position as at September 30, 2015, management is optimistic that the declines in revenues and profitability experienced in the first quarter are not indicative of operating results to be realized in the near future. Management will continue to manage and minimize business risks, to manage its cash flows, to attempt to grow the business and build value for its stakeholders. The following data may provide some additional insights relative to the Companyôs operating performance and financial position:

Corporate Performance - continued

	For the fiscal years ended:		
	June 15	June 14	June 13
Total Revenues	3,945,720	4,014,268	4,601,698
Net income (loss) income from operations	(33,397)	(21,321)	141,007
Per share - basic	(0.003)	(0.002)	0.017
Net income (loss) for the year	560,333	(18,579)	148,319
Per share - basic	0.053	(0.002)	0.018
Total assets	1,770,999	2,098,100	2,176,189
Total long-term financial liabilities	121,769	158,244	45,788
Total liabilities	720,921	1,638,734	1,759,668

	For the three month periods ended:				
	Sept. 15	June 15	Mar. 15	Dec. 14	Sept. 14
Total Revenues	880,012	1,122,088	1,061,276	691,622	1,070,734
Net income (loss) from operations	(12,066)	111,838	(17,243)	(154,718)	26,726
Per share - basic	(0.001)	0.011	(0.002)	(0.015)	0.002
Net income (loss) for the period	(11,343)	111,838	(17,091)	438,159	27,427
Per share - basic	(0.001)	0.011	(0.002)	0.041	0.002
Total assets	1,820,333	1,770,999	1,600,781	1,715,098	1,971,431
Total long-term financial liabilities	111,895	121,769	131,642	141,516	151,388
Total liabilities	781,598	720,921	662,541	759,767	1,484,638

	For the three month periods ended:				
	June 14	Mar. 14	Dec. 13	Sept. 13	June 13
Total Revenues	1,000,676	933,391	945,951	1,134,250	1,288,374
Net income (loss) from operations	(21,790)	(3,300)	(59,301)	63,070	81,609
Per share - basic	(0.002)	(0.000)	(0.006)	0.006	0.008
Net income (loss) for the period	(20,988)	(2,521)	(58,928)	63,858	83,815
Per share - basic	(0.002)	(0.000)	(0.006)	0.006	0.008
Total assets	2,098,100	2,190,139	1,859,824	2,102,184	2,176,189
Total long-term financial liabilities	158,244	177,893	18,830	32,498	45,788
Total liabilities	1,638,734	1,709,785	1,381,168	1,614,305	1,759,668

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

Results of Operations

The Company has reported a decline in revenues, in comparison to one year prior. Revenues of $880,012 represent the 3rd lowest quarterly total in the last 17 fiscal quarters representing the time elapsed since the Company first reported annual revenues in excess of $4,000,000. This is also the 6th time during this same time period that quarterly revenues have been less than $1,000,000.

In spite of the less than optimal revenue figures the Company came very close to breaking even for the period with the reported losses being approximately 1/10th of a cent per share. This was made possible by an increase in gross margin percentage from 32% to 36% which, generally speaking, occurred as a result of avoiding some one-time costs incurred in the comparative period and cutting certain costs in the current period. Further insights into the improved gross margins may be achieved through the following analysis of the cost of product sales.

The different elements of cost of product sales for the three month periods ended September 30, and the changes realized, were as follows:

Results of Operations - continued

Three month periods ended		2015		2014		Change
Raw materials and supplies consumed	$	373,004	$	450,196	$	(77,192)
Labour costs incurred		160,750		196,386		(35,636)
Depreciation		26,472		33,090		(6,618)
Repairs and maintenance		2,996		18,420		(15,424)
Other costs		24,078		25,508		(1,430)
Net change in finished goods and work in process		(23,569)		4,583		(28,152)
Total cost of product sales	$	563,731	$	726,183	$	(164,452)

The cost of raw materials and supplies consumed was 17% lower in the most recent quarter however each of the quarterly costs equated to 42% of revenues for the respective periods. Although this suggests that periodic costs are comparable, the September 2014 costs include the value of certain excess parts that were sold directly to a customer due to their discontinuance of specific assemblies. Sales of this nature happen from time to time but were of larger magnitude in that period. If the cost of these components, and the revenues derived from them, are backed out of results for that period then the cost of raw materials and supplies used would be 39% of revenues. The Company continuously promotes the supply of components as a cost effective solution for its customers however this service remains at the customersô discretion so the materials costs will always vary from period to period.

Labour cost incurred is a measure of labour paid for during the period and reflects an 18% decrease in the 2015 period. In December 2014 the Company implemented a government approved work-share program which, generally speaking, resulted in a 20% reduction in work hours and the corresponding payroll costs without any permanent reduction in the work force. This provided the cost savings realized without impeding the Companyôs ability to react to increased labour demand, should it arise. The work-share program ended August 2015 at which time labour supply returned to 100%.

The total labour costs included in cost of product sales combine the labour cost incurred with the net change in finished goods and work in process, which is a measurement of the change in labour costs that are included as an element of inventory. The combined figures have declined by 32% for the quarter. During the 2014 period the Company produced a number of labour intensive products, often resulting in the incurrence of overtime. The avoidance of these incremental costs, plus the effects of the work-share program, has resulted in this decline.

Depreciation has no correlation with operating volumes as it is purely a function of time and the carrying value of the manufacturing equipment in use. There have been no significant acquisitions since the final quarter of the 2014 fiscal year and no major equipment additions are currently being investigated. Management remains diligent in monitoring the equipment market for opportunities that could help increase productivity or profitability.

Repairs and maintenance costs declined substantially in the current period. The costs for the period ended September 2014 included regular maintenance costs and the cost of a fairly substantial repair. Regular maintenance is completed but its timing and the nature of individual repairs can skew quarterly results.

Other costs include stencils and tooling, packaging, and freight costs net of amounts recovered. Each of these costs is incurred on an as-needed basis without any specific correlation with revenues. These costs are closely monitored and are within management expectations so they will not be further elaborated upon.

Results of Operations - continued

Selling, general and administrative expenses for the three month periods ended September 30 were as follows:

Three month periods ended	2015	2014	Change
Employee and consultant compensation	$ 198,204	$ 210,212	$ (12,008)
Occupancy costs	71,154	66,638	4,516
Professional fees	16,982	12,030	4,952
Regulatory fees	15,894	1,033	14,861
Insurance	8,253	8,744	(491)
Other costs	12,099	7,144	4,955
Total selling, general and administrative	$ 322,586	$ 305,801	$ 16,785

Compensation costs declined by $12,008 in the current period reflecting the benefit derived from the work-share program which was in effect unit late August of 2015.

Occupancy costs consist primarily of rent and utility charges for the Companyǿs operating facility. Basic rental charges increase by approximately 2% in January of each year but the increase in the current period is primarily due to a rise in hydro rates and usage. The lease for the Companyǿs operating facility runs through March 2021 and occupancy costs are expected to remain generally comparable throughout that lease term.

Professional fees and regulatory fees have each increased in the current period. During the 2015 fiscal year the Company determined that it was appropriate to change exchanges upon which the Companyǿs shares were listed. Effective September 2015 the Companyǿs shares commenced trading on the Canadian Securities Exchange and were removes from the Canadian Venture Exchange. The cost increases in the current period represent the costs incurred as a result of this move and it is anticipated that costs in future periods will be lower.

The increase in other costs includes the first-time incurrence of advertising expenses in the United States which coincides with the recent market consolidation and transfer of certain market demand to the United States. All other aspects of other costs included in SG&A are individually insignificant and, in aggregate, represent less than 5% of total SG&A. These expenses are closely monitored by management and do not warrant detailed investigation or elaboration.

The Companyǿs cost of borrowing is comprised of interest on long-term debt and other interest expense as follows:

Three month periods ended	2015	2014	Change
Interest expense ï long term (cash based)	$ 1,758	$ 3,808	$ (2,050)
Interest expense ï long term (accretion)	-	3,761	(3,761)
Interest expense ï other	152	765	(613)
Total financing expenses	$ 1,910	$ 8,334	$ (6,424)

The Company has, in recent periods, significantly reduced and simplified its debt load. At present there is a single interest bearing debt, being the commercial financing associated with the equipment addition completed in the final quarter of the 2014 fiscal year. Historically there were obligations measured at amortized cost, using the effective interest method, which gave rise to interest accretion. It is anticipated that the present debt structure will persist for the foreseeable future.

Interest ï other includes miscellaneous interest charges incurred as well as interest arising from the use of the operating line. The Company briefly utilized a portion of its operating line during the period ended September 2014 thereby accounting for the increased costs of that period.

Liquidity

As at September 30, 2015 the Company has a working capital surplus of $600,920. This is marginally greater than the surplus of $596,259 reported June 30, 2015 and $643,265 greater than at September 30, 2014. The Company also had current financial assets of $766,814 available to settle current financial liabilities of $669,703 representing a decline of $106,532 during the quarter and an improvement of $593,478 over the twelve month period then ended. The Company also has access to a $250,000 bank operating line, which was not drawn upon as of September 30, 2015, to help fund working capital requirements.

In addition to satisfying the cost of operations the Company must also address the payment or other settlement of the following amounts as at September 30, 2015:

	Due by Sept. 2016	Due by Sept. 2018	Due by Sept. 2020	Due after Sept. 2020	Total Due
Long-term debt	$ 39,493	$ 78,985	$ 32,910	$ -	$ 151,388
Operating leases	97,783	205,978	214,807	53,871	572,439
	$ 137,276	$ 284,963	$ 247,717	$ 53,871	$ 723,827

Capital Resources

The Company has a $250,000 commercial line of credit from which nothing was drawn as at September 30, 2015 or June 30, 2015. The loan bears interest at the prime lending rate plus 2.5%, is due upon demand, and is secured by a general security agreement covering the assets of PEC.

Related Party Transactions

The Company compensates its key management personnel for services rendered. These include salaries and benefits paid to Wojciech Drzazga (CEO) and John Perreault (President), consulting fees paid to Michael D. Kindy (CFO), legal fees paid to a legal firm in which William R. Johnstone (Corporate Secretary) is a partner, Directorsô fees, and share-based payments. The Compensation rates are agreed to by the key management personnel and are predicated upon prevailing market rates. The following expenses have arisen involving these related parties:

	2015	2014
Salaries and benefits (1)	$ 65,610	$ 68,215
Consulting fees (1)	9,600	9,600
Directorsô fees (1)	6,900	6,900
Legal fees (2)	7,701	2,305
Interest expense ï long term	-	5,467
Cash based expenditures	$ 89,811	$ 92,487
Share-based payments	$ -	$ -

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

The following balances are due to related parties as at September 30 of each year:

	2015	2014
Salaries and benefits payable (1)	12,353	4,512
Consulting fees payable (1)	93,800	54,400
Legal fees payable (1)	4,130	4,130
Loan payable to 1114377 Ontario Inc. at prime +8% (2)	-	33,210

(1) Reported in the unaudited condensed interim consolidated financial statements as an element of accounts payable and accrued liabilities.
(2) A company controlled by the spouse of Mr. W. Drzazga, the CEO and a Director of the Company.

Related Party Transactions - continued

The following stock options have been issued to Directors and/or Officers of the Company and were outstanding as at September 30, 2015:

Description	Expiry Date	Number of Common shares
Stock options @ $0.10 per share	Nov. 30, 2015	275,000
Stock options @ $0.10 per share	Sept. 14, 2017	130,000
Stock options @ $0.10 per share	Dec. 31, 2018	500,000

Convertible Instruments and Other Securities

The Company has the following securities issued and outstanding:

Share capital	Quantity	Amount
Common shares, June 30, 2015, Sept. 30, 2015 and as at the date of this document	10,648,696	$ 22,343,053

In addition to the shares issued and outstanding the Company has issued share purchase warrants and stock options as incentives to various parties. The following list itemizes the common shares that have been reserved to satisfy the conversions and exercise of warrants and options along with the expiry date associated therewith.

Shares reserved	Expiry Date	Number of Common shares
Common shares to be issued for Class A shares (1)		8,246
Stock options @ $0.10 per share	Nov. 2015	275,000
Warrants @ $0.10 per share	Feb. 2016	1,100,000
Warrants @ $0.10 per share	Mar. 2016	900,000
Stock options @ $0.10 per share	Sept. 2017	130,000
Warrants @ $0.10 per share	Oct. 2017	400,000
Stock options @ $0.10 per share	Mar. 2018	500,000
Shares reserved as at September 30, 2015 and as at the date of this document		3,313,246

(1) In the 2013 fiscal year the Companyøs shareholders approved the issuance of 99,454 common shares in exchange for 100% of the Class A Special Shares outstanding. 91,208 common shares have been issued, representing the entitlement of the identifiable Class A shareholders. 8,246 common shares have been reserved to be issued if and when the remaining Class A shareholders identify themselves to the Company.

Fully diluted position	
Shares issued	10,648,696
Shares reserved	3,313,246
Fully diluted position September 30, 2015 and as at the date of this document	13,961,942

Additional disclosures relative to stock options are as follows:

	Common Shares Under Option	Number of Options Vested	Exercise Price	Expiry Date
Granted Nov. 30, 2010	275,000	275,000	$ 0.10	Nov. 30, 2015
Granted Sept. 14, 2012	130,000	130,000	$ 0.10	Sept. 14, 2017
Granted December 31, 2013	500,000	500,000	$ 0.10	Dec. 31, 2018

All stock options are held by Directors and Officers of the Company and have vested. The Company has no ability to cause these options to be exercised.

Convertible Instruments and Other Securities - continued

	Common Shares Under Option	Weighted Average Price/Option	Weighted Average Expiry Date
Balance, June 30, 2015, September. 30, 2015, and as at the date of this document	905,000	$ 0.10	Nov. 15, 2017

Additional disclosures relative to share purchase warrants are as follows:

	Number of Warrants	Value of Warrants	Exercise Price	Expiry Date
Issued Mar. 24, 2011	900,000	$ 38,818	$ 0.10	Mar. 24, 2016
Issued Feb. 4, 2013	1,100,000	37,859	$ 0.10	Feb. 4, 2016
Issued Jan. 10, 2014	400,000	4,219	$ 0.10	Oct. 31, 2017
		$ 80,896		

	Number of Warrants	Weighted Average Price/Warrant	Weighted Average Expiry Date
Balance, June 30, 2015, September 30, 2015, and as at the date of this document	2,400,000	$ 0.10	June 7, 2016

Changes in Accounting Policy

The accounting policies followed by the Company are established in accordance with International Financial Reporting Standards (IFRS) and once policies are established they will not, as a matter of policy, be revised unless IFRS changes. There were no changes in accounting policy during the current period.

Accounting Standards Effective For Future Periods

IFRS 9, *Financial Instruments:* effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of the financial statements for their assessment of the amounts, timing and uncertainty of future cash flows. Management anticipates that this standard will be adopted in the Company's financial statements for the year beginning July 1, 2018 and has not yet considered the potential impact of its adoption.

IFRS 15, *Revenue from Contracts with Customers:* effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, replaces existing revenue standards and interpretations with a single standard and provides additional guidance on revenue recognition for contracts with customers. Management anticipates that this standard will be adopted in the Company's financial statements for the year beginning July 1, 2018 and has not yet considered the potential impact of its adoption.

Financial Instruments

The Companyös financial instruments are comprised of the following:

Financial assets:	*Classification*
Cash and cash equivalents	Fair value through profit and loss
Restricted cash equivalents	Fair value through profit and loss
Accounts receivable	Loans and receivables
Financial liabilities:	*Classification*
Bank operating loan	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities
Customer deposits	Other financial liabilities
Long-term debt	Other financial liabilities

Financial Instruments - continued

Fair value through profit and loss:
Financial assets are designated as fair value through profit and loss if they were acquired principally for the purpose of selling in the short term. Fair value through profit and loss assets are recognized and carried at their fair value.

Loans and receivables:
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Other financial liabilities:
Other financial liabilities are recognized initially at fair value, net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial instrument 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 payments through the expected life of the financial instrument to the net carrying amount on initial recognition. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Impairment of financial assets:
Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the assets have been negatively impacted.

Evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in income for the period.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through income for the period to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial instruments recorded at fair value:
Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:
- Level 1 valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of June 30, 2015 and 2014 cash and cash equivalents and restricted cash equivalents are measured at fair value and are classified within Level 1 of the fair value hierarchy.

Financial Instruments - continued

Financial instruments recorded at amortized cost:
Financial instruments recorded at amortized cost on the consolidated statement of financial position are amortized using the market rates of interest prevailing at the inception of the financial instrument applied to expected future cash flows. The amortized cost is recomputed in the event that the underlying terms, and therefore the expected future cash flows, of the financial instrument are altered with any change in the amortized cost being charged to income of the period. Dividends payable and preferred shares are each carried at historical cost as the future cash flows cannot be reasonably estimated.

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 or cash generating unit (CGU) have suffered an impairment loss. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets. Where such an indication exists, the recoverable amount of the asset or CGU is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an assetõs or CGUõs 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 or CGU in an armõs 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 or CGU. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU 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 or CGU 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 or CGU in prior years. A reversal of an impairment loss is recognized immediately in income for the period.

The Company has assessed the assets of all its operating entities and has determined that there is no impairment of its non-financial assets.

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 Companyõs 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 Companyõs 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 Companyõs 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 currency risk. The Companyõs 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 Companyõs 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 year.

<u>Risk Factors - continued</u>

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 Companyǿs 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, and no bad debts were recorded in the period ended September 30, 2015 or the fiscal year ended June 30, 2015**.**

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 Companyǿs revenues during a reporting period. During the current period the Company had 2 major customers which each represented 13% of total revenues and another that represented 11%. In the comparative period there was 1 major customer representing 19% of revenues. Amounts due from major customers represented 18% of accounts receivable at September 30, 2015 (Sept 2014 **-** 7%). The loss of a major customer, or significant curtailment of purchases by such 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.

Market risks

The Company is exposed to interest rate risk due to obligations that have floating interest rates as well as currency risk related to cash, accounts receivable and accounts payable 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 period the Company has reported a foreign exchange loss of $3,021 (Sept. 2014 ï loss of $2,811).

Sensitivity to market risks

At Sept. 30, 2015 the Company had $151,388 (June 2015ï $161,262) which bears interest at the TD Bank prime lending rate plus 1.75%. A 1% increase in the TD Bank prime lending rate as at the financial reporting date would result in additional interest expense of $1,336 over the next 12 month period.

At Sept. 30, 2015 the Company had US$23,816 (June 2015ï US$129,966) 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 $406 in future cash inflow.

At Sept. 30, 2015 the Company had US$148,734 (June 2015 ï US$128,894) 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 $2,537 in future cash outflow.

At Sept. 30, 2015 the Company had US$120,199 (June 2015ï US$20,825) included in cash. A 5% increase in the value of the Canadian dollar relative to the US dollar would result in a reduction of $2,050 in carrying value.

Based upon observations of recent market trends management believes that each of these outcomes is possible but most likely exceed the Companyǿs immediate market risk exposures.

Forward-looking Information

Certain statements in this MD&A may constitute ñforward-lookingò statements which involve 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. When used in this report, the words ñestimateò, ñbelieveò, ñanticipateò, ñintendò, ñexpectò, ñplanò, ñmayò, ñshouldò, ñwillò, the negative thereof or other variations thereon or comparable terminology are intended to identify forward-looking statements. Such forward-looking statements reflect the current expectations of the management of the Company with respect to future events based on currently available information and are subject to risks and uncertainties that could cause actual results, performance or achievements to differ materially from those expressed or implied by those forward-looking statements, such as reduced funding, long sales cycles, currency and interest rate fluctuations, increased competition and general economic and market factors and including the risk factors summarized below under the heading ñRisk Factorsò. New risk factors may arise from time to time and it is not possible for management of the Company to predict all of 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 statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained in this MD&A speak only as of the date hereof. The Company does not undertake or assume any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.