General

The following managementøs discussion and analysis (õMD&Aö) of the financial condition and results of operations of ZTEST Electronics Inc. (õZTESTö or the õCompanyö) constitutes managementøs review of the factors that affected the Companyøs interim condensed consolidated financial and operating performance for the three months ended September 30, 2016. The MD&A was prepared as of November 28, 2016 and was approved by the Board of Directors on November 28, 2016. It should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the three months ended September 30, 2016, and the audited consolidated financial statements for the year ended June 30, 2016, 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 2017 was apparently a challenging quarter for the entire industry and unfortunately the Company was not exempted from this. Industry feedback, both domestic and foreign, suggests that customers continue to place orders but with reduced quantities and/or more protracted deliveries. Industry expectations are that the current conditions will not persist for the long-term. The sluggishness did persist into the start of the ensuing quarter but as of the date of this document the Companyøs order book suggests that the lull may be coming to an end.

In each of the 2015 and 2016 fiscal years there was a single quarter out of the four for which revenues were less than $1M. In 2016, the first quarter provided lower revenues before the Company rebounded over the subsequent three quarters to report almost 7% revenue growth for the year. In 2015, it was the second quarter which was sufficiently problematic to result in an annual revenue decline of just under 2%. It is far too early to assert that the current scenario will be limited to a single quarter or to project whether 2017 will prove similar to either of the past two fiscal years but the recent past does suggest that the most recent quarter may not be representative of future periods.

The revenue decline experienced this quarter translated into operating losses and negative cash flow for the period as well as declines in working capital, equity and capital under management. In spite of these less than optimal results the Company maintained strong liquidity and continues to be well positioned to overcome current challenges. Management will continue efforts to grow the Company, to maintain and benefit from its strong reputation in the industry, and to maximize return for stakeholders while minimizing business risks.

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

Corporate Performance - continued

	For the fiscal years ended:		
	June 16	June 15	June 14
Total Revenues	4,211,885	3,945,720	4,014,268
Net income (loss) income from operations	(42,595)	(33,397)	(21,321)
Per share - basic	(0.004)	(0.003)	(0.002)
Net income (loss) for the year	(42,553)	560,333	(18,579)
Per share - basic	(0.004)	0.053	(0.002)
Total assets	1,708,698	1,770,999	2,098,100
Total long-term financial liabilities	82,276	121,769	158,244
Total liabilities	661,368	720,921	1,638,734

	For the fiscal quarters ended:				
	Sept. 16	June 16	Mar. 16	Dec. 15	Sept. 15
Total Revenues	827,700	1,013,950	1,094,232	1,223,691	880,012
Net income (loss) from operations	(116,595)	(81,112)	(15,550)	66,133	(12,066)
Per share - basic	(0.011)	(0.008)	(0.001)	0.006	(0.001)
Net income (loss) for the period	(116,548)	(81,112)	(15,550)	65,452	(11,343)
Per share - basic	(0.011)	(0.008)	(0.001)	0.006	(0.001)
Total assets	1,535,979	1,708,698	1,843,819	1,890,491	1,820,333
Total long-term financial liabilities	72,403	82,276	92,149	102,022	111,895
Total liabilities	585,197	661,368	715,377	786,304	781,598

	For the fiscal quarters ended:				
	June 15	Mar. 15	Dec. 14	Sept. 14	June 14
Total Revenues	1,122,088	1,061,276	691,622	1,070,734	1,000,676
Net income (loss) from operations	111,838	(17,243)	(154,718)	26,726	(21,790)
Per share - basic	0.011	(0.002)	(0.015)	0.002	(0.002)
Net income (loss) for the period	111,838	(17,091)	438,159	27,427	(20,988)
Per share - basic	0.011	(0.002)	0.041	0.002	(0.002)
Total assets	1,770,999	1,600,781	1,715,098	1,971,431	2,098,100
Total long-term financial liabilities	121,769	131,642	141,516	151,388	158,244
Total liabilities	720,921	662,541	759,767	1,484,638	1,638,734

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

Results of Operations

The Company has reported a revenue decline of just under 6% in comparison to one year prior. This is the third fiscal quarter in the past seven for which revenues are lower than those of the prior year. Although the Company grew its revenues in the preceding fiscal year, and increased its market share, it did so with only two quarters providing revenues that exceeded the prior year amounts. These results provide further evidence that the inconsistency that has plagued the marketplace in recent periods, and which management is striving to combat, still persists.

The impact of the revenue decline was exacerbated by an increase in the cost of product sales. This contributed to a decline in gross margin to just over 26% of revenues as compared to almost 36% one year earlier. Although the first quarter of 2016 was also a below average quarter there were sufficient advanced signs to allow the Company to take formal steps to help mitigate the impact. Such was not the case for the September 2016 quarter and the resulting decline in production efficiency is reflected in these gross margin figures.

The different elements of cost of product sales for the three-month periods ended September 30, 2016 and September 30, 2015 were as follows:

Results of Operations - continued

Three month periods ended	2016	2015	Change
Raw materials and supplies consumed	$ 395,764	$ 373,004	$ 22,760
Labour costs incurred	158,803	160,750	(1,947)
Depreciation	21,920	26,472	(4,552)
Repairs and maintenance	18,655	2,996	15,659
Other costs	23,005	24,078	(1,073)
Net change in finished goods and work in process	(6,014)	(23,569)	17,555
Total cost of product sales	$ 612,133	$ 563,731	$ 48,402

The cost of raw materials and supplies consumed rose by over 6%, and equated to 47.8% of revenues for the period ended September 30, 2016. This percentage of periodic revenues is greater than it had been for the September 2015 period, when it equated to 42.4%, but is marginally lower than the 48.6% experienced in the final quarter of the 2016 fiscal year. The Company continuously promotes the supply of components as a cost-effective solution however customers also have the option to contract assembly of materials that they themselves supply and this option results in variances in periodic costs.

Labour costs incurred is a measure of labour paid for during the period and the 2016 and 2015 amounts are remarkably similar. For approximately 66% of the quarter ended September 2015, the Company had implemented a work-share program which provided a theoretical cost savings of 13% for the period. In the final month of the quarter, after the program had ended, the Company incurred overtime which offset some of the work-share related savings. During the 2016 period, there was no work-share program but there was also no overtime. Labour costs were kept down through the management of production personnel and the encouragement for utilizing accrued vacation time but there was no permanent reduction in personnel. The net result of all of these factors was that the average pay was about 1% higher in the 2016 period than it had been in 2015, but the active 2016 labour force was approximately 3% smaller thereby providing the $1,947 cost savings.

The net change in finished goods and work in process is a measurement of the change in labour costs that are included as an element of inventory. This figure needs be combined with labour paid for during the period in order to determine the total labour charges included in cost of product sales. These aggregate labour charges are more than 11% greater for 2016 than they were in 2015. A significant portion of the overtime incurred at the end of the 2015 period related to products that were shipped the ensuing fiscal quarter. This contributed to an untypical value of $42,373 in Work-in-Process and Finished Goods inventories. There was no comparable accumulation of labour charges in inventory at September 30, 2016 and as a result that additional amount flowed through cost of product sales. The Work-in-Process and Finished Goods inventories at September 30, 2016 were a more typical value of $27,266.

Depreciation costs continued to decline, with the 2016 expense being lower than 2015. Depreciation is a function of time and the carrying value of the manufacturing equipment in use. No significant additions have been completed, or required, since the end of the 2014 fiscal year. Management continually evaluates equipment needs and monitors the equipment market for opportunities but there are no substantial additions currently being investigated or considered.

Repairs and maintenance costs rose substantially in the current period, or more specifically, were unusually low in the comparable period. The costs for the period ended September 2016, which were virtually identical to those for the period ended September 2014, included regular maintenance costs and the cost of certain repairs. The 2015 expense was almost exclusively regular maintenance with virtually no repair costs. Repairs are completed either on an as-needed basis or when time permits which can result in cost fluctuations from period to period.

Results of Operations - continued

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.

Selling, general and administrative expenses for the three-month periods ended September 30, 2016 and September 30, 2015 were as follows:

Three month periods ended	2016	2015	Change
Employee and consultant compensation	$ 219,495	$ 198,204	$ 21,291
Occupancy costs	67,441	71,154	(3,713)
Professional fees	19,453	16,982	2,471
Shareholder services	2,661	15,894	(13,233)
Insurance	7,471	8,253	(782)
Other costs	11,784	12,099	(315)
Total selling, general and administrative	$ 328,305	$ 322,586	$ 5,719

Compensation costs, which include salaries and benefits, consulting fees and directorsø fees, rose by an aggregate of 10.7% year over year. Salary and benefits aggregate over 80% of the total compensation in each period. They declined in 2015 as a consequence of a work-share program that was in effect for most of the period but returned to prior levels, subject to small annual increases, as there was no similar cost saving program in effect in the 2016 period. Consulting fees increased reflecting the additional cost of services provided by the Companyøs CFO while fees for independent directors increased by 10%. The total compensation expense in the 2016 period is approximately 4.6% higher than it was for the same period in 2014, which may provide a better overall barometer given the absence of any work-share program from both periods.

Occupancy costs consist primarily of rent, common area costs, and utility charges for the Companyøs operating facility. Monthly base rental and common area charges increased by 3.6% from 2015 to 2016 however a 13% decline in utility costs, plus a retroactive adjustment for excess common area costs charged in the prior year, resulted in an overall decline in costs. Modest increases in base rental rates are scheduled for January 2017, 2018 and 2019 after which they will remain constant until the lease ends March 2021. Other occupancy costs have been declining and further savings should be anticipated as a result of the Company having replaced its lighting with LED.

Professional fees are comprised of the cost of legal services as well as the cost of reporting on the annual financial statements. Financial reporting costs have remained comparable between the two fiscal periods but legal costs rose as the Company investigated potential business opportunities which may, or may not, result in future transactions.

The cost of shareholder services appears to have declined quite dramatically in 2016 however recurring charges are actually quite comparable. The cost reduction is attributable to the one-time costs incurred during the September 2015 period as a result of the Company having moved its share listing from the TSXV to the Canadian Securities Exchange.

Insurance costs are reflective of lower premiums as insurance coverage was entirely comparable.

Other costs are individually insignificant, are continuously monitored, have not varied significantly, and are within managementøs expectations.

Results of Operations - continued

The Companyøs cost of borrowing for the three-month periods ended September 30, 2016 and September 30, 2015 was as follows:

Three month periods ended		2016		2015		Change
Interest expense ó long term	$	1,304	$	1,758	$	(454)
Interest expense ó other		138		152		(14)
Total financing expenses	$	1,442	$	1,910	$	(468)

The Company has a single debt instrument outstanding, that being a commercial loan used to finance a 2014 equipment addition. The declining interest costs are the result of monthly principal payments being made.

Interest ó other represents miscellaneous interest charges incurred. It would also include interest arising from the use of the Companyøs bank operating line however there was no utilization of this loan during either of the periods presented.

Liquidity

At September 30, 2016, the Company had a working capital surplus of $528,202. This figure has declined 16% during the quarter, and 12% in comparison to September 30, 2015. The Company also had current financial assets of $695,323 (June 30, 2016 - $820,395) available to settle current financial liabilities of $512,794 (June 30, 2016 - $579,092). The Company also has access to a $250,000 bank operating line, which was not drawn upon as of September 30, 2016, or during the period then ended.

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, 2016:

		Due by Sept. 2017		Due by Sept. 2019		Due by Sept. 2021		Total Due
Long-term debt	$	39,493	$	72,403	$	-	$	111,896
Operating leases		101,631		211,411		161,614		474,656
	$	141,124	$	283,814	$	161,614	$	586,552

Capital Resources

The Company has a $250,000 commercial line of credit from which nothing was drawn as at September 30, 2016 or June 30, 2016. 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 and accounting fees paid to Michael D. Kindy (CFO), legal fees paid to a legal firm in which William R. Johnstone (Corporate Secretary) is a partner, Directorsø 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:

		2016		2015
Salaries and benefits (1)	$	68,892	$	65,610
Consulting fees (1)		22,125		9,600
Directorsø fees (1)		7,590		6,900
Legal fees (2)		10,247		7,701
Cash based expenditures	$	108,854	$	89,811

Related Party Transactions - continued

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 due to related parties are reported as an element of accounts payable and accrued liabilities as at September 30 of each year:

	2016	2015
Salaries and benefits payable	$ 17,998	$ 12,353
Consulting fees payable	$ 123,849	$ 93,800
Legal fees payable	$ 2,000	$ 4,130

The following stock options have been issued to Directors and/or Officers of the Company and were outstanding as at September 30, 2016:

Description	Expiry Date	Number of Common shares
Stock options @ $0.10 per share	Sept. 14, 2017	130,000
Stock options @ $0.10 per share	Dec. 31, 2018	400,000
Stock options @ $0.05 per share	Mar. 3, 2021	800,000

Convertible Instruments and Other Securities

The Company has the following securities issued and outstanding:

Share capital	Quantity	Amount
Common shares as at June 30, 2016	10,648,696	$ 22,151,406
Common shares issued on exercise of stock options	300,000	36,245
Common shares as at Sept. 30, 2016 and as at the date of this document	10,948,696	$ 22,187,651

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	Sept. 2017	130,000
Warrants @ $0.10 per share	Oct. 2017	400,000
Stock options @ $0.10 per share	Dec. 2018	400,000
Stock options @ $0.05 per share	Dec. 2018	800,000
Shares reserved as at September 30, 2016 and as at the date of this document		1,738,246

[(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.

Convertible Instruments and Other Securities

Fully diluted position	
Shares issued	10,948,696
Shares reserved	1,738,246
Fully diluted position September 30, 2016 and as at the date of this document	12,686,942

Additional disclosures relative to stock options are as follows:

	Common Shares Under Option	Number of Options Vested	Exercise Price	Expiry Date
Granted Sept. 14, 2012	130,000	130,000	$ 0.10	Sept. 14, 2017
Granted December 31, 2013	400,000	400,000	$ 0.10	Dec. 31, 2018
Granted Mar. 3, 2016	800,000	800,000	$ 0.05	Mar. 3, 2021

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.

	Common Shares Under Option	Weighted Average Price/Option	Weighted Average Expiry Date
Balance, June 30, 2016	1,630,000	$ 0.07	Mar. 23, 2020
Exercised during the period	(300,000)	$ 0.07	June 11, 2020
September 30, 2016 and as at the date of this document	1,330,000	$ 0.07	Mar. 5, 2020

Additional disclosures relative to share purchase warrants outstanding June 30, 2016, September 30, 2016 and as at the date of this document are as follows:

	Number of Warrants	Value of Warrants	Exercise Price	Expiry Date
Issued Jan. 10, 2014	400,000	$ 4,219	$ 0.10	Oct. 31, 2017

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.

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 these standards 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 their adoption.

Financial Instruments

The Companyøs financial instruments are comprised of the following:

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

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 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:

Financial Instruments - continued

Financial instruments recorded at fair value - continued:

- 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 at September 30, 2016, and June 30, 2016 cash and cash equivalents was measured at fair value and classified within Level 1 of the fair value hierarchy.

Financial instruments recorded at amortized cost:

Financial instruments recorded at amortized cost 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 for the period.

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 Companyø 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 Companyø 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 Companyø business, operating results, and financial condition.

In addition to the foregoing, the Company is exposed to credit risk, concentration of credit risk, and market risks related to interest rates and foreign exchange rates. The Companyø 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 Companyø 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.

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 Companyø 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, 2016 or the fiscal year ended June 30, 2016**.**

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 Companyø revenues during a reporting period. During the current period the Company had 2 major customers which represented 14% and 11% of total revenues. In the comparative period, there were 3 major customers representing 13%, 13% and 11% of revenues. Amounts due from major customers represented 40% of accounts receivable at September 30, 2016 (Sept 2015 - 18%). 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.

Risk Factors - continued

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 $980 (Sept. 2015 ó loss of $3,021).

Sensitivity to market risks

At Sept. 30, 2016, the Company had $111,896 (June 30, 2016ó$121,769) 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 $937 over the next 12-month period.

At Sept. 30, 2016, the Company had US$106,740 (June 30, 2016óUS$86,796) included in accounts receivable. A 5% increase in the value of the Canadian dollar relative to the US dollar would result in a reduction of $1,698 in future cash inflow.

At Sept. 30, 2016, the Company had US$85,309 (June 30, 2016 óUS$114,725) 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 $1,357 in future cash outflow.

At Sept. 30, 2016, the Company had US$2,930 (June 30, 2016óUS$51,935) included in cash. A 5% increase in the value of the Canadian dollar relative to the US dollar would result in a reduction of $49 in carrying value.

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

Forward-looking Information

Certain statements in this MD&A may constitute õforward-lookingö 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 õestimateö, õbelieveö, õanticipateö, õintendö, õexpectö, õplanö, õmayö, õshouldö, õwillö, 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 õRisk Factorsö. 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.