ZTEST Electronics Inc.

Managementôs Discussion and Analysis
For the Six Month Period Ended December 31, 2017
(Prepared as at February 27, 2018)

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 six months ended December 31, 2017. The MD&A was prepared as of February 27, 2018 and was approved by the Board of Directors on February 27, 2018. It should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the six months ended December 31, 2017, and the audited consolidated financial statements for the year ended June 30, 2017, 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

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 designing, developing, and assembling printed circuit boards and other electronic equipment.

The Company held its annual general meeting on December 19, 2017 resulting in the election, or re-election, of the Board members noted below. The inaugural meeting of this Board was held immediately following the annual general meeting, during which the Officers of the Company were reappointed and the subcommittees noted below were formed.

Name	Position(s)
Wojciech Drzazga [5]	Chairman and Chief Executive Officer
William J. Brown [1*, 3, 5]	Director (Independent)
K. Michael Guerreiro [2, 3, 5]	Director (Independent)
Steve Smith [1, 2]	Director (Independent)
Brendan Purdy [1, 2, 4]	Director (Independent)
Michael D. Kindy, CPA, CA	VP Finance & Chief Financial Officer
William R. Johnstone, LLB	Corporate Secretary

* Acts as Committee Chair

(1) Member of the audit committee

(2) Member of the strategic planning committee

(3) Member of the compensation committee

(4) Mr. John Perreault was re-elected as a Director of the Company at the 2017 annual general meeting but resigned his positions as an Officer and Director of the Company at the start of the Board meeting that immediately followed. The Board accepted Mr. Perreaultôs resignation and then appointed Mr. Brendan Purdy to fill the vacancy. Mr. Purdy had been presented to the Company as a nominee for the Board however, his nomination had not been made in accordance with the Companyôs Advance Notice Provisions, so he was ineligible to be elected at the meeting. Mr. Perreault continues in his role as the President and Chief Operating Officer of the Companyôs operating subsidiary, Permatech Electronics Corporation.

(5) Serves as a Director of the Companyôs operating subsidiary, Permatech Electronics Corporation.

Corporate Performance

The second fiscal quarter always presents certain unique challenges due to the holiday season and, more often than not, this period produces lower revenues than other fiscal quarters. The period ended December 31, 2017 provided revenues that were almost 20% greater than the comparable period in 2016. However, the seasonal downturn still resulted in a decline in comparison to each of the three preceding quarters and to a net loss from operations.

Corporate Performance - continued

In spite of the seasonal challenges, management continued its relentless efforts to minimize business risks and this allowed the Company to maintain its strong liquidity position. Admittedly, working capital declined by 9% over the first six months of the fiscal year, but at December 31, 2017, for the first time, the Companyõs current financial assets exceeded its total liabilities. This strong liquidity position leaves the Company in a very favourable position to capitalize on the market rebound that traditionally follows this slow period.

While operations were not as robust as one may wish, the Company was busy on other fronts. ZTEST held its annual general meeting in December and was also conducting new negotiations with Conversance Inc. (ñConversanceò) and investigating the prospects for a private placement financing.

Conversance is, a Waterloo based private company focused on developing and marketing proprietary Artificial Intelligence supported distributed ledger technologies. In December 2016 the Company acquired a 15.05% interest in Conversance, plus an option to acquire a further 4.86% interest, at a cost of $279,563. The option provided ZTEST with the right to acquire a further 4.86% interest by paying $140,000 in cash and issuing 275,000 common shares. This option expired October 2017 however, recent negotiations with Conversance resulted in the terms of this option being extended and ZTEST announced on January 10, 2018 that the option had been exercised.

On January 11, 2018 the Company then announced that it was proceeding with a private placement for the sale of up to 1,600,000 working capital units, at $0.85 per unit, for proceeds of up to $1,360,000. Each unit consists of 1 common share and ½ common share purchase warrant. A first closing of this financing was announced January 31, 2018 and that announcement advised that the Company had sold 625,000 working capital units for gross proceeds of $531,250. The financing remains open as of the date of this document.

The Company most recently announced that it had entered into a Further Investment Agreement with Conversance which provides ZTEST with the rights to increase its holdings in Conversance to a maximum of 34.99%. This ownership interest can be achieved by investing a further $2,000,000 in cash in tranches. The first tranche, which has been approved by the ZTEST Board, provides the Company with an additional 5.38% interest in exchange for a payment of $500,000 on February 28, 2018. The Board has approved the use of the proceeds from the first closing of the financing to fund this payment. Following the closing of this first tranche the Company will hold a 25.29% ownership interest in Conversance.

After acquiring a 25.29% interest the Company will then have the right to acquire up to an additional 4.71% interest by making a cash payment of up to $500,000 on or before April 20, 2018. Furthermore, should the Company complete the second tranche, and hold a 30% interest, it may then acquire up to an additional 4.99% by making a cash payment of up to $1,000,000 on or before June 15, 2018.

The Companyõs ability to complete the second and third tranches in accordance with the Further Investment Agreement will be dependent, in part, upon its ability to raise the funds necessary to make the required payments. Furthermore, there are no assurances that Conversance will achieve the success necessary for the Company to realize the value of these investments.

Conversance has not yet generated any cash flows from operations as it continues the development of its technology. The absence of cash flow makes it difficult to objectively measure the value of Conversance. Accordingly, the carrying value of the original 15.05% investment was reduced to $Nil. A new value assessment will be completed at the end of the next financial reporting period to determine the carrying value, if any, of these new investments.

Corporate Performance - continued

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

	For the fiscal years ended: June 2017	June 2016	June 2015
Total Revenues	3,754,883	4,211,885	3,945,720
Net income (loss) income from operations	(203,576)	(42,595)	(33,397)
Per share - basic	(0.014)	(0.004)	(0.003)
Net income (loss) for the year	(497,880)	(42,553)	560,333
Per share - basic	(0.035)	(0.004)	0.053
Total assets	1,783,512	1,708,698	1,770,999
Total long-term financial liabilities	42,784	82,276	121,769
Total liabilities	862,688	661,368	720,921

	For the fiscal quarters ended: Dec. 2017	Sept. 2017	June 2017	Mar. 2017	Dec. 2016
Total Revenues	800,502	1,145,035	1,158,812	1,099,568	668,803
Net income (loss) from operations	(148,014)	44,797	60,350	33,568	(180,899)
Per share - basic	(0.008)	0.002	0.004	0.002	(0.015)
Net income (loss) for the period	(148,013)	44,797	33,569	(180,788)	(116,548)
Per share - basic	(0.008)	0.002	0.002	(0.015)	(0.011)
Total assets	1,399,349	1,662,504	1,954,654	1,648,537	1,535,979
Total long-term financial liabilities	23,037	32,911	52,656	62,530	72,403
Total liabilities	544,242	686,883	819,716	550,418	585,197

	For the fiscal quarters ended: Sept. 2016	June 2016	Mar. 2016	Dec. 2015	Sept. 2015
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

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

Results of Operations

Revenues for the recently concluded quarter were almost 20% greater than the corresponding period ended December 31, 2016 making this the fourth consecutive quarter for which the Company has reported year over year growth. In spite of this growth trend the quarterly revenues were not sufficient to result in a profitable period.

Any time there is a decline in revenues there is a corresponding decline in the economies of scale achieved during production and this is reflected in the gross margin percentage. The second quarter of 2017 provided margins of 29.6%, which exceeds the corresponding 2016 margin percentage, but is less than those realized in more robust periods.

Results of Operations - continued

The different elements of cost of product sales for the periods ended December 31, 2017 and December 31, 2016 are as follows:

Six month periods ended December 31	2017	2016	Change
Raw materials and supplies consumed	$ 919,245	$ 667,381	$ 251,864
Labour costs incurred	343,239	316,343	26,896
Depreciation	36,136	43,869	(7,733)
Repairs and maintenance	5,818	31,283	(25,465)
Other costs	44,690	39,342	5,348
Net change in finished goods and work in process	(7,682)	(4,695)	(2,987)
Total cost of product sales	$ 1,341,446	$ 1,093,523	$ 247,923

Three month periods ended December 31	2017	2016	Change
Raw materials and supplies consumed	$ 338,576	$ 271,617	$ 66,959
Labour costs incurred	161,085	157,540	3,545
Depreciation	18,068	21,949	(3,881)
Repairs and maintenance	1,065	12,628	(11,563)
Other costs	20,824	16,337	4,487
Net change in finished goods and work in process	23,563	1,319	22,244
Total cost of product sales	$ 563,181	$ 481,390	$ 81,791

Raw materials and supplies consumed have risen in value during each of the 2017 periods presented, when compared to 2016, but also as a percentage of periodic revenues. Management continually promotes the benefits customers may derive from our provision of all materials necessary to complete product assemblies. The 2017 results indicate that a larger percentage of customers are currently opting to utilize this service. Customers always have the option to contract the assembly of materials that they themselves supply and the availability of this choice often leads to variances in periodic costs, particularly over shorter time periods.

Labour costs incurred is a measure of labour paid for during the period. Labour management, which considers both immediate and future labour demand, frequently results in periodic variances that are more moderate than the changes in revenue during the same period. This relationship held true for both the three month and six month periods ended December 31, 2017 as the percentage increase in revenues significantly exceeded the percentage increase in labour costs. The 2017 labour costs incurred were in line with management expectations and with prior periods for which labour demand was similar.

Depreciation is a function of time and the carrying value of the manufacturing equipment in use. No significant additions have been necessary since the end of the 2014 fiscal year so depreciation costs continued to decline. Management continually evaluates equipment needs and monitors the equipment market for opportunities, but there are no major equipment additions currently being investigated.

Repairs and maintenance costs for the 2017 periods have been significantly lower than those incurred in 2016. The Company conducts maintenance continually while repairs are conducted on an as-needed basis, or on a pre-emptive basis when time permits. The 2016 costs included certain repairs while the 2017 expense has been exclusively related to maintenance. No required repairs or maintenance were deferred during the recently concluded quarter.

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 periods ended December 31 were as follows:

Six month periods ended December 31	2017	2016	Change
Employee and consultant compensation	$ 455,391	$ 421,454	$ 33,937
Occupancy costs	138,557	132,959	5,598
Professional fees	52,957	37,098	15,859
Shareholder services	17,181	15,816	1,365
Insurance	15,088	14,943	145
Other costs	31,946	32,528	(582)
Total selling, general and administrative	$ 711,120	$ 654,798	$ 56,322

Three month periods ended December 31	2017	2016	Change
Employee and consultant compensation	$ 232,742	$ 201,959	$ 30,783
Occupancy costs	64,554	65,518	(964)
Professional fees	43,742	17,645	26,097
Shareholder services	14,109	13,155	954
Insurance	7,670	7,472	198
Other costs	21,012	20,744	268
Total selling, general and administrative	$ 383,829	$ 326,493	$ 57,336

Employee and consultant compensation costs have risen in the 2017 periods when compared to the corresponding 2016 periods and this increase is almost entirely attributable to directorsô fees and consulting fees. Directorsô fees, which are paid to independent directors, were increased by 10% effective January 1, 2017 and this coincided with an increase in the number of independent directors from two to three thereby resulting in a cost increase in excess of 56%. Consulting fees have increased as a consequence of incremental services provided by the Chief Financial Officer and having retained a new consultant to provide business development services for parts of the first and second quarters.

Occupancy costs consist primarily of rent and utility charges for the Companyøs operating facility. Basic rental charges increased by 2.7% in January 2017. The remaining variance is due to fluctuations in utility rates and usage, property tax rates, and other common area costs associated with the facility and its lease. The Companyøs operating facility lease runs through March 2021 and occupancy costs are expected to remain generally comparable throughout that lease term.

Professional fees are comprised of fees for legal services and a prorated portion of the estimated cost of the upcoming audit of the annual financial statements. The Company changed auditors prior to the commencement of the 2017 annual audit and realized a reduction in fees of approximately $2,300 per quarter. Legal fees however have risen in the most recent fiscal quarter as a consequence of additional corporate administration and governance services. Included in these legal fees are diligence services related to the annual general meeting held December 17, 2017 and the nomination, and proposed nomination, of potential directors by parties other than management.

Shareholder services, which include all regulatory and similar costs associated with managing the Companyøs securities and communicating with stakeholders, have remained fairly consistent for the periods presented. Each of the three-month periods ended December 31, 2017 and 2016 include all costs associated with annual shareholdersô meetings held in December of each year which is why the quarterly costs represent such a large portion of year-to-date costs. The slightly higher expense in 2017 is attributed to a minor increase in the frequency of public news releases.

Results of Operations - continued

The costs of financing for the periods ended December 31, 2017 and December 31, 2016 were as follows:

Six month periods ended December 31	2017	2016	Change
Interest expense ï long term	$ 1,758	$ 2,496	$ (738)
Interest expense ï other	609	277	332
Total financing expenses	$ 2,367	$ 2,773	$ (406)

Three month periods ended December 31	2017	2016	Change
Interest expense ï long term	$ 844	$ 1,192	$ (348)
Interest expense ï other	142	139	3
Total financing expenses	$ 986	$ 1,331	$ (345)

The Company has a single long-term debt instrument outstanding, being a commercial term loan used to finance a 2014 equipment acquisition. The term loan, which matures July 2019, has a declining balance as a result of monthly principal repayments and this results in lower interest costs.

Interest expense ï other represents interest, if any, arising from the use of the operating line as well as miscellaneous interest charges incurred. The Company did make temporary use of the bank operating line during the first fiscal quarter, as is reflected in the modest increase to interest costs incurred during the six month period.

Liquidity

At December 31, 2017, the Company had working capital of $489,731 (June 30, 2017 ï $538,184) and current financial assets of $565,185 (June 30, 2017 ï $830,960) available to settle current financial liabilities of $521,205 (June 30, 2017 ï $819,904). The Company also has access to a $250,000 bank operating line, which was not drawn upon as of December 31, 2017 or June 30, 2017.

In addition to satisfying the cost of operations, the Company must also address the settlement of the following obligations as at December 31, 2017:

	Due by Dec. 2018	Due by Dec. 2020	Due by Dec. 2022	Due after Dec. 2022	Total Due
Long-term debt	39,493	23,037	-	-	62,530
Operating lease	105,026	215,486	26,936	-	347,448
All obligations	$ 144,519	$ 238,523	$ 26,936	$ -	$ 409,978

Capital Resources

The Company has a $250,000 commercial line of credit, from which nothing was drawn as at December 31, 2017 or June 30, 2017. Loan advances bear interest at the TD Bank prime lending rate plus 2.5%, are due upon demand, and are secured by a general security agreement covering the assets of PEC.

In January 2018, the Company announced a non-brokered private placement financing for the sale of up to 1,600,000 working capital units, at $0.85 per unit, for proceeds of up to $1,360,000. Each unit consists of 1 common share and ½ common share purchase warrant. Each full common share purchase warrant entitles the holder to acquire 1 additional common share of the Company, at a price of $1.10, until January 31, 2019. In the event that the closing price, on the Canadian Securities Exchange (ñCSEò), for the Companyøs common shares is at least $2.00 for 20 consecutive trading days, and that 20th day is at least 4 months after the financing closes, the expiry date for the warrants will be reduced to the date that is 30 days after that 20th trading day.

Capital Resources - continued

A first closing under this financing resulted in the issuance of 625,000 working capital units for gross proceeds of $531,250. The Company paid findersô fees of $37,188, incurred other costs estimated at $16,000, and issued 43,750 broker warrants. Each broker warrant entitles the holder to acquire 1 common share of the Company, for $0.85, until January 30, 2019. The securities issued pursuant to this closing are subject to a statutory hold period expiring on May 31, 2018.

The financing remains open as at the date of this document.

Related Party Transactions

The Company compensates its key management personnel for services rendered. These services are comprised of:

- salaries and benefits paid to Wojciech Drzazga (CEO) and John Perreault (President);
- consulting fees and accounting fees paid to Michael D. Kindy (CFO);
- consulting fees paid to a company in which William J. Brown (Director) is a shareholder;
- legal fees paid to a legal firm in which William R. Johnstone (Corporate Secretary) is a Partner;
- fees paid to Independent Directors;
- share-based payments for stock options granted to Directors and/or Officers.

The Compensation rates are agreed to by the key management personnel and are predicated upon prevailing market rates. Expenses involving these related parties have arisen during the periods ended December 31 as follows:

Six month periods ended December 31		2017		2016
Salaries and benefits (1)	$	135,659	$	133,147
Consulting fees (1)		51,381		31,725
Directorsô fees (1)		24,655		15,280
Legal fees (2)		34,861		18,966
Accounting fees (2)		3,500		3,500
Legal fees accounted for as investment acquisition costs		-		15,000
Legal fees accounted for as share issuance costs		-		7,500
Cash based expenditures	$	250,056	$	225,118
Share-based payments	$	-	$	26,208

(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, and were reported in the unaudited condensed interim consolidated financial statements as an element of accounts payable and accrued liabilities, as at December 31 of each year:

	2017	2016
Salaries and benefits payable	13,435	9,378
Consulting fees payable	144,341	116,200
Legal fees payable	25,322	29,471

The following stock options have been issued to Directors and/or Officers of the Company and were outstanding as at December 31, 2017:

Description	Expiry Date	Number of Shares
Stock options @ $0.10 per share	Dec. 31, 2018	300,000
Stock options @ $0.05 per share	Mar. 3, 2021	500,000
Stock options @ $0.15 per share	Dec. 21, 2021	150,000

Related Party Transactions - continued

During the period ended December 31, 2017, 130,000 options held by Directors and/or Officers expired and a Director exercised 50,000 stock options. No new stock options were granted to Directors and/or Officers. Subsequent to December 31, 2017, a Director exercised 100,000 stock options at $0.05 per share and 600,000 stock options were granted to Directors and/or Officers of the Company. The new options have an exercise price of $0.95 per share, vested immediately, and will expire on January 12, 2023.

Convertible Instruments and Other Securities

The Company has the following securities issued and outstanding:

Common shares	Number of Shares	Amount
Common shares as at June 30, 2016	17,173,696	$ 22,418,782
Common shares issued on exercise of stock options	50,000	14,052
Common shares issued on exercise of warrants	300,000	33,165
Common shares as at December 31, 2017	17,523,696	22,465,998
Common shares issued on exercise of stock options	150,000	23,333
Common shares issued on exercise of warrants	1,600,000	60,033
Common shares issued through private placement	625,000	531,250
Less: amount allocated to warrants (1)		(57,629)
Less: costs of the offering (2)		(67,853)
Common shares issued to acquire investment	275,000	189,200
Common shares as at the date of this document	20,173,696	$ 23,144,332

(1) Estimated using the Black-Scholes valuation model based upon inputs currently available.

(2) Costs include findersô fees paid, estimated legal and brokerage fees, and the value of the broker warrants estimated using the Black-Scholes valuation model based upon inputs currently available.

In addition to the common 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 conversion of Class A shares and the exercise of warrants and options along with the expiry dates associated therewith.

Common shares reserved	Expiry Date	Number of Shares
Common shares to be issued for Class A shares (1)		8,246
Stock options @ $0.10 per share	Dec. 2018	300,000
Stock options @ $0.05 per share	Dec. 2018	500,000
Warrants @ $0.06 per share	Dec. 2021	4,500,000
Stock options @ $0.15 per share	Dec. 2021	250,000
Common shares reserved as at December 31, 2017		5,558,246
Stock options @ $0.05 per share	Dec. 2018	(100,000)
Stock options @ $0.15 per share	Dec. 2021	(50,000)
Warrants @ $0.06 per share	Dec. 2021	(1,600,000)
Warrants @ $0.85 per share	Jan. 2019	43,750
Warrants @ $1.10 per share	Jan. 2019	312,500
Stock options @ $0.95 per share	Feb. 2019	120,000
Stock options @ $0.95 per share	Jan. 2020	320,000
Stock options @ $0.95 per share	Jan. 2023	600,000
Common shares reserved as at the date of this document		5,204,496

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

Convertible Instruments and Other Securities

Fully diluted common shares	Number of Shares
Shares issued at December 31, 2017	17,523,696
Shares reserved at December 31, 2017	5,558,246
Fully diluted number of common shares at December 31, 2017	23,081,942
Shares issued upon exercise of stock options	100,000
Shares issued upon exercise of warrants	1,600,000
Shares issued through private placement	625,000
Shares issued to acquire investment	275,000
Shares reserved for warrants issued through private placement	312,500
Shares reserved for broker warrants issued through private placement	43,750
Shares reserved for stock options granted	1,040,000
Reduction in shares reserved for stock options exercised	(100,000)
Reduction in shares reserved for warrants exercised	(1,600,000)
Fully diluted number of common shares at the date of this document	25,378,192

The following provides additional details with respect to stock option changes during the period, and subsequent to the end of the period:

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

	Dec. 31 2017	Dec. 31 2016
Dividend yield	None issued	Nil
Risk free interest rate (%)	None issued	1.19
Expected stock volatility (%)	None issued	135.35
Expected life (years)	None issued	5

As at the December 31, 2017 the following stock options were outstanding:

	Common Shares Under Option		Exercise Price	Expiry Date
Granted December 31, 2013	300,000 [(1)]	$	0.10	Dec. 31, 2018
Granted March 3, 2016	500,000[(1,2)]	$	0.05	Mar. 3, 2021
Granted December 21, 2016	150,000 [(1)]	$	0.15	Dec. 21, 2021
Granted December 21, 2016	100,000 [(3)]	$	0.15	Dec. 21, 2021

(1) Directors and/or Officers of the Company hold these options.
(2) 100,000 of these options were exercised after December 31, 2017.
(3) 50,000 of these options were exercised after December 31, 2017.

All stock options have vested. The Company has no ability to cause these options to be exercised.

Subsequent to December 31, 2017 the Company granted the following options:

1. 120,000 options were granted to a consultant retained by the Company. These options have an exercise price of $0.95 and expire on February 12, 2019. These options will vest as to 25% on each of April 12, 2018, July 12, 2018, October 12, 2018 and January 12, 2019 provided the public relations firm continues to be retained as at each vesting date.
2. 320,000 options were granted to a public relations firm retained by the Company. These options have an exercise price of $0.95, and expire on January 12, 2020. These options will vest as to 25% on each of April 12, 2018, July 12, 2018, October 12, 2018 and January 12, 2019 provided the public relations firm continues to be retained as at each vesting date.
3. 600,000 options were granted to Directors and/or Officers of the Company. These options have an exercise price of $0.95, expire on January 12, 2023, and vested immediately upon issuance.

Convertible Instruments and Other Securities - continued

	Common Shares Under Option		Weighted Average Price per Option	Weighted Average Expiry Date
Balance, June 30, 2017	1,230,000	$	0.09	June 20, 2020
Expired during the period	(130,000)		0.10	Sept. 14, 2017
Exercised during period	(50,000)		0.15	Dec. 21, 2021
Balance, December 31, 2017	1,050,000		0.09	Sept. 27, 2020
Exercised subsequent to the period	(150,000)		0.08	June 8, 2021
Granted subsequent to the period	1,040,000		0.95	Aug. 27, 2021
Balance as at the date of this document	1,940,000	$	0.55	Mar. 5, 2021

The following provides additional details with respect to share purchase warrant changes during the period, and subsequent to the end of period:

The following weighted average assumptions were used to calculate the fair value of the warrants issued during the period:

	Dec. 31 2017	Dec. 31 2016
Dividend yield	None issued	Nil
Risk free interest rate (%)	None issued	1.20
Expected stock volatility (%)	None issued	130.19
Expected life (years)	None issued	5

As at the December 31, 2017 the following share purchase warrants were outstanding:

	Number of Warrants		Exercise Price	Expiry Date
Issued December 15, 2016	4,500,000 (1)	$	0.06	Dec. 15, 2021

(1) 1,600,000 of these warrants were exercised after December 31, 2017.

Subsequent to December 31, 2017 the Company issued the following share purchase warrants:

1. 312,500 warrants were issued in connection with a private placement. These warrants have an exercise price of $1.10 and will expire on January 31, 2019. In the event that the closing price, on the CSE, for the Companyφs common shares is at least $2.00 for 20 consecutive trading days, and that 20th day is at least 4 months after the financing closes, the expiry date for the warrants will be reduced to the date that is 30 days after that 20th trading day.
2. 43,750 broker warrants were issued in connection with a private placement. These warrants have an exercise price of $0.85 and will expire on January 30, 2019.

	Number of Warrants		Weighted Average Price per Warrant	Weighted Average Expiry Date
Balance, June 30, 2017	4,900,000	$	0.06	Aug. 14, 2021
Exercised during the period	(300,000)	$	0.10	Oct. 31, 2017
Expired during the period	(100,000)	$	0.10	Oct. 31, 2017
Balance, December 31, 2017	4,500,000	$	0.06	Dec. 15, 2021
Exercised subsequent to the period	(1,600,000)	$	0.06	Dec. 15, 2021
Issued subsequent to the period	356,250	$	1.07	Jan. 30, 2019
Balance, as at the date of this document	3,256,250	$	0.17	Aug. 27, 2021

Changes in Accounting Policy

The Companyǿs accounting policies will typically change only when there is a relevant change in IFRS. There were no changes in IFRS during the current period that were required to be adopted by the Company.

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 Companyǿs 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**
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.

Financial Instruments - continued

Impairment of financial assets - continued:
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:

- 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 December 31, 2017 and June 30, 2017 cash and cash equivalents are measured at fair value and are 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.

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 in order to determine the extent of the impairment loss. The recoverable amount is the higher of an assetös 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 armös 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.

Impairment of Non-Financial Assets - continued

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.

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 Companyôs 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 Companyôs 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 Companyôs 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 Companyôs 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 Companyôs 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.

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. No bad debts were recognized during the period ended December 31, 2017 (December 31, 2016 - $1,286).

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 six-month period ended December 31, 2017 the Company had 2 major customers who represented 15% and 12% of total revenues. In the comparative period, there was 1 major customer which represented 12% of revenues. Amounts due from major customers represented 8% of accounts receivable at December 31, 2017 (Dec. 2016 - Nil%). 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, prepaid expenses, customer deposits, 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 realized a gain on foreign exchange in the amount of $8,757 (Dec. 2016 ï loss of $720).

Risk Factors - continued

Sensitivity to market risks

At December 31, 2017, the Company had a term loan balance of $62,530 (June 30, 2017 ï $82,277) 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 $444 over the next 12-month period.

At December 31, 2017, the Company had US$22,675 (June 2017ï US$46,339) included in cash. A 5% increase in the value of the Canadian dollar relative to the US dollar would result in a reduction of $1,429 in carrying value.

At December 31, 2017, the Company had US$49,075 (June 2017ï US$46,339) included in accounts receivable. A 5% increase in the value of the Canadian dollar relative to the US dollar would result in a reduction of $3,094 in future cash inflow.

At December 31, 2017 the Company had US$2,401 (June 30, 2017 ï US$3,488) included in prepaid expenses. A 5% increase in the value of the Canadian dollar relative to the US dollar would result in recognition of $151 in additional future expenses.

At December 31, 2017 the Company had US$5,483 (June 30, 2017 ï US$63,707) included in customer deposits. A 5% increase in the value of the Canadian dollar relative to the US dollar would result in a reduction of $346 in future revenue.

At December 31, 2017, the Company had US$76,109 (June 2017 ï US$195,669) 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 $4,798 in future cash outflow.

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 ñforward-lookingò statements that 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 above 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, readers 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 readers 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.