ZTEST Electronics Inc.

Managementôs Discussion and Analysis
For The Nine Month Period Ended March 31, 2021
(Prepared as at May 28, 2021)

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 nine months ended March 31, 2021. The MD&A was prepared as of May 28, 2021 and was approved by the Board of Directors on May 28, 2021. It should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the nine months ended March 31, 2021, and the audited consolidated financial statements for the year ended June 30, 2020, 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 Companyôs shares trade on the Canadian Securities Exchange under the symbol "ZTE".

The Company held its annual general meeting on January 13, 2021 resulting in the re-election of the Steve Smith, K. Michael Guerreiro and Zachary Dingsdale, plus the election of Dean Tyliakos and Don Beaton. The inaugural meeting of the Board was held immediately following the annual general meeting, during which the Officers of the Company were reappointed and the Audit Committee was formed as noted below.

Name	Position(s)
Steve Smith	Chairman, President & Chief Executive Officer
K. Michael Guerreiro [1*,2, 3]	Director (Independent)
Zachery Dingsdale [1, 3]	Director (Independent)
Dean Tyliakos [1]	Director (Independent)
Don Beaton	Director (Independent)
Michael D. Kindy, CPA, CA [2]	VP Finance & Chief Financial Officer
William R. Johnstone, LLB	Corporate Secretary
John Perreault [2]	Officer of PEC

[*] Acts as Committee Chair
[(1)] Member of the audit committee
[(2)] Director of Permatech Electronics Inc.
[(3)] Director of Conversance Inc.

Corporate Performance

The first nine months of the 2021 fiscal year continued to be dominated by the uncertainties caused by, and repercussions arising from, the COVID-19 pandemic. The Company has operated continuously throughout the pandemic but the way in which people interact and business is conducted has been altered dramatically. All personnel that can feasibly work remotely continue to do so, and safety measures remain in place to provide a safe workplace for those that can not. The Company is proud of how its personnel have conducted themselves throughout this pandemic and that there have been no positive cases of COVID-19 at its facility.

Although the Companyôs operating facility has remained COVID-free, that should not imply that the pandemic had no impact. There have been implications in the supply chain for materials and supplies, alterations to scheduled deliveries of finished product, inefficiencies caused by physical distancing and the use of personal protective equipment, and many other factors that impacted the Companyôs operations. Although there have certainly been implications, the Company can report that, with the aid of government subsidies, the COVID related factors affecting operations to date have been more inconvenient than devastating. However, the pandemic continues, and the number of infections in many parts of the world remain high, so future implications of the pandemic for the Company, its personnel, its industry, its customers, its suppliers, and the broader scope domestic and international markets, cannot currently be estimated.

During the period, the Company was a beneficiary of the Canadian Emergency Wage Subsidy (CEWS). The Canadian Emergency rent Subsidy (CERS), and the recipient of a further advance under the Canadian Emergency Business Account (CEBA). CERS and CEWS are government subsidies while CEBA is an interest-free loan until December 31, 2022, a portion of which may be forgiven if adequate repayment has been made by December 31, 2022. Each of these government programs have been made available to qualifying companies as a result of COVID-19.

During the first nine months of this fiscal year, the Company has received $20,000 under CEBA, $172,852 in CEWS subsidy and $13,162 in CERS subsidy. This includes $50,062 in subsidies received during the most recent quarter. The CEBA amount is included in long-term debt while the subsidies are included in net income for the period through the reduction of labour costs included in cost of product sales as well as employee compensation and occupancy costs included in expenses. The Company will continue to monitor government subsidy programs and to make application for any subsidies for which it may meet the qualification criteria.

March 31, 2021 represented a transitional date for the Company with respect to its operating facility as a new lease extension went into effect. In accordance with IFRS 16 this has resulted in the Company recognizing a new right of use asset in the amount of $828,873, with a corresponding lease obligation. This amount, which was determined by discounting the lease payments to be made over the term of the lease extension, has significantly increased the Company's total assets, total liabilities, and current financial liabilities. It is also anticipated that the amortization charges related to the new right of use asset, and the imputed interest on the new lease obligation, which both exceed the amounts that arose from the expiring lease, will have a negative impact upon future operating results.

During this third fiscal quarter the Company also placed an order for a new manufacturing machine at a price of US$328,721, paid a deposit equal to 30% of the purchase price, and negotiated a new bank term loan equivalent to approximately 75% of the purchase price. The payment terms for the new machine, which was manufactured in Singapore, required the aforementioned 30% deposit at the time of order, and 60% at the time of shipment from Singapore, with the final 10% being due 30 days after the machine is installed and operational. Shipment from Singapore occurred April 6, 2021 and delivery is now expected May 30, 2021. The new term loan was funded in the amount of $313,748 on April 6, 2021, has a term of 5 years, and bears interest at 3.386%. While this new machinery is expected to enhance the Company's production capabilities, generate renewed customer interest, and provide certain operating efficiencies, it is also expected that the incremental depreciation charges and interest costs will have a negative impact upon future gross margins and results of operations.

In spite of the impact the new lease extension had on current financial liabilities, and the reduction in current financial assets caused by the payment of the deposit on the new machine, the Company remains in an enhanced liquidity position in comparison to the start of the fiscal year. At June 30, 2020 the Company reported working capital of $481,680 and current financial assets that were equivalent to 73% of current financial liabilities. As at March 31, 2021 working capital has increased to $689,408 while current financial assets now exceed 93% of current financial liabilities.

One of the factors that contributed to the enhanced liquidity position was the exercise of share purchase warrants and stock options during the recent fiscal quarter. The Company received proceeds of $160,775 from these exercises which added to the cash balance included in current assets and current financial assets. This was also a significant aspect of the increase of $187,669 in capital under management. The remaining increase in capital under management was generated through the net income for the period.

This enhanced liquidity position and the increased capital under management place the Company in a good position should the incremental costs from the lease extension and new machinery not be offset in the immediate future by otherwise enhanced operating results. The Company will continue its efforts to navigate the risks of COVID-19 while striving to further enhance the Company's liquidity and financial position. The following data may provide some additional insights relative to the Company's financial position and its operating performance:

Corporate Performance - continued

	For the fiscal years ended:		
	June 2020	June 2019	June 2018
Total Revenues	3,888,898	4,399,062	3,686,132
Net loss from operations	(81,102)	(274,085)	(856,314)
Per share - basic	(0.004)	(0.013)	(0.046)
Net loss for the year	(818,737)	(344,186)	(883,756)
Per share - basic	(0.038)	(0.017)	(0.047)
Total assets	1,807,231	2,268,045	2,226,121
Total long-term financial liabilities	40,000	-	3,291
Total liabilities	1,042,533	943,985	783,898

	For the fiscal quarters ended:			
	Mar. 2021	Dec. 2020	Sept. 2020	June 2020
Total Revenues	1,037,388	873,206	1,053,501	1,077,137
Net (loss) income from operations	(23,906)	(22,215)	81,886	178,572
Per share - basic	(0.001)	(0.001)	0.004	0.008
Net (loss) income for the period	(23,906)	(22,215)	81,886	(511,798)
Per share - basic	(0.001)	(0.001)	0.004	(0.024)
Total assets	2,878,943	1,792,632	1,841,370	1,807,231
Total long-term financial liabilities	-	60,000	40,000	40,000
Total liabilities	1,884,504	935,862	994,785	1,042,533

	For the fiscal quarters ended:			
	Mar. 2020	Dec. 2019	Sept. 2019	June 2019
Total Revenues	1,102,355	828,703	880,703	1,269,697
Net (loss) income from operations	(13,191)	(148,254)	(98,229)	5,518
Per share - basic	(0.001)	(0.007)	(0.005)	0.000
Net (loss) income for the period	(24,194)	(162,103)	(120,642)	(11,385)
Per share - basic	(0.001)	(0.008)	(0.006)	(0.001)
Total assets	2,306,150	2,120,412	2,314,453	2,268,045
Total long-term financial liabilities	-	26,809	54,201	-
Total liabilities	1,029,654	1,079,097	1,111,035	943,985

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

Results of Operations

After the typical seasonal downturn associated with the second fiscal quarter the Company again saw revenues return to more traditional levels in the third quarter. This represents the fourth time in the last five fiscal quarters for which revenues exceeded $1 million, a threshold from which the Company plans to build. Although quarterly revenues were $1,037,388, this represents a decrease of just under 6% when compared to the same period one year earlier. This represents the first fiscal quarter this year in which revenues contacted compared to 2020 and year to date revenues remain more than 5% ahead of 2020 levels. This current period decline is attributed, at least in part, to the impact of the pandemic which has resulted in certain existing or expected orders being deferred by customers, delays and reductions relative to the placement of new orders, and delays in the receipt of componentry required to allow production to proceed.

While the amount of periodic revenues is a major driver in the gross margins realized it should be noted that they are not absolutely correlated. Gross margins will be impacted by many factors including, but not limited to, product mix, order sizes, and subsidies received. As a result of these many factors, it is common for margins to vary from period to period, particularly over shorter periods. This is evident when we see margins in the most recent quarter of 26.3%, versus 31.3% one year earlier, and year to date margins of 33.1% as compared to 29.1% for the same period in 2020. To better understand gross margins, one must look more closely at cost of product sales. The different elements of cost of product sales for the periods ended March 31 were as follows:

Results of Operations - continued

Nine-month periods:	2021	2020	Change
Raw materials and supplies consumed	$ 1,497,418	$ 1,315,132	$ 182,286
Labour costs incurred	461,100	568,977	(107,877)
Depreciation	28,713	35,618	(6,905)
Other costs	81,246	91,184	(9,938)
Net change in finished goods and work in process	(12,805)	(16,835)	4,030
Total cost of product sales	$ 2,005,672	$ 1,994,076	$ 61,596

Three-month periods:	2021	2020	Change
Raw materials and supplies consumed	$ 563,372	$ 504,226	$ 59,146
Labour costs incurred	166,170	195,593	(29,423)
Depreciation	9,571	11,891	(2,320)
Other costs	29,441	32,567	(3,126)
Net change in finished goods and work in process	(4,055)	13,823	(17,878)
Total cost of product sales	$ 714,499	$ 757,560	$ 6,399

The cost of raw materials and supplies consumed rose by 11.7% in the current quarter, compared to 2020 levels, even though total revenues for that 2020 period were higher. 9.9% of this increase is due to an inventory write-down in response to a customerøs non-renewal of a previously recurring order. The remaining 1.8% is demonstrative of the variation in product mix referred to previously. Customers always have a choice between supplying required components themselves or having them supplied by the Company. These costs regularly vary from one period to the next depending on the choice made and the size and nature of the orders completed during that particular period. Management consistently promotes the benefits customers will derive from the Companyøs provision of necessary components but also recognizes that it has no control over the choice the customer makes.

Labour costs incurred appear to have declined in both the three and nine month periods, compared to the prior year, however meaningful comparison requires that the stated costs be adjusted to eliminate the CEWS benefits. CEWS benefits commenced after March 31, 2020 so there is no subsidy amount included in the 2020 figures. For the nine month period the total CEWS benefit the Company received was $112,100. Had it not been for this subsidy then the costs for the current year would be 1.6% greater than 2020 levels. This increase is slightly less than the effect of annual wage increases and changes in payroll taxes so demonstrates that the volume of labour has declined slightly in the current year. This decline in labour volume is slightly more evident in the three month periods. CEWS benefits netted into the 2021 figure were $26,583, meaning that pre-subsidy costs for the quarter fell by $2,840. The previously noted factors would have resulted in a cost increase had volumes remained the same. Labour volumes are predicated, to a certain degree, on the labour required to facilitate customer orders and labour requirements typically decline when the cost of materials increases as a percentage of periodic revenues.

The net change in finished goods and work in process is a measure of the change in labour costs included in inventory. This cost must be combined with labour costs incurred to determine the net labour costs included in cost of product sales. These aggregate costs were $162,115 for the most recent quarter, or $188,698 before incorporating the CEWS benefits. In comparison, the aggregate costs for the same period in 2020 were $209,416 or almost 10% higher. For the 2021 year to date period the aggregate costs were $560,395, before incorporating the CEWS benefits, which is 1.5% more than the 2020 total of $552,142. These results are generally consistent with expectations when considering that labour costs in cost of sales typically move in the same direction as periodic revenues and in opposite direction to materials costs taken as a percentage of those revenues.

Depreciation is a function of time and the carrying value of the manufacturing equipment in use. No significant additions have arisen in recent years so depreciation costs continue to decline. However, new equipment is currently expected to become operational in the 4th quarter of 2021 which will give rise to higher depreciation costs.

Results of Operations - continued

Other costs include repairs and maintenance, 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 periods ended March 31 were as follows:

Nine-month periods:		2021		2020		Change
Employee and consultant compensation	$	537,379	$	710,137	$	(172,758)
Occupancy costs		182,338		203,920		(21,582)
Professional fees		67,161		51,066		16,095
Shareholder services		24,112		12,227		11,885
Insurance		24,421		24,670		(249)
Other costs		33,635		33,407		228
Total selling, general and administrative	$	869,046	$	1,035,427	$	(166,381)

Three-month periods:		2021		2020		Change
Employee and consultant compensation	$	192,620	$	229,061	$	(36,441)
Occupancy costs		56,259		65,402		(9,143)
Professional fees		18,162		16,471		1,691
Shareholder services		8,595		5,481		3,114
Insurance		7,368		8,526		(1,158)
Other costs		9,922		11,297		(1,375)
Total selling, general and administrative	$	292,926	$	336,238	$	(43,312)

Employee and consultant compensation costs, which include salaries, benefits, consulting fees, and independent directorsô fees, have been reduced by CEWS benefits received in the 2021 periods. These benefits amounted to $16,404 for the quarter and $60,742 year to date or well less than the total cost decline for each period. The decline is primarily attributed to personnel changes as the Company had one employee retire at the start of the pandemic and another that reduced their workweek and remuneration by more than 50% at the end of the 2020 fiscal year. During the most recent quarter a new person was hired to replace the retired party and another was promoted to fill the other vacancy. It is expected that these changes will cause costs to be somewhat more comparable in future periods.

Occupancy costs, which include amortization of the right of use asset, all common area costs related to the leased facility, and utility costs. have been reduced by CERS benefits of $13,162 received in the nine month period ended March 2021, including $7,085 received in the most recent quarter. Amortization has been consistent from period to period. Common area costs and utility costs typically increase year over year however current year utility costs are reflective of rate reductions in effect as a result of the COVID-19 pandemic. It should be anticipated that these utility cost reductions will not continue. It should also be expected that amortization costs will increase effective April 1, 2021 with the inception of the new lease extension.

Professional fees are comprised of fees for legal services, costs for income tax filings, and a prorated portion of the estimated cost of the upcoming audit of the annual financial statements. Audit fees and tax filing fees have remained comparable while legal costs have risen. A significant portion of legal fees relate to matters of corporate administration and governance for which there was additional requirement in the current periods, including work related to the shareholders meeting held January 2021 and facilitating the issuance of preferred shares in conjunction with the acquisition of shares of Conversance Inc. during the first fiscal quarter.

Shareholder services have risen in the current periods, primarily as a result of the shareholders meeting held January 2021 and certain regulatory filings associated with the two new directors elected at that meeting.

Insurance expense and other costs are closely monitored, are within management expectations, and are reasonably consistent from period to period.

Results of Operations - continued

The costs of financing for the periods ended March 31 were as follows:

Nine-month periods:	2021	2020	Change
Interest expense ï long term	$ -	$ 5	$ (5)
Interest expense ï lease liability	1,511	5,894	(4,383)
Interest expense ï other	466	5,207	(4,741)
Financing fees	-	12,292	(12,292)
Total financing expenses	$ 1,977	$ 23,398	$ (21,421)

Three-month periods:	2021	2020	Change
Interest expense ï long term	$ -	$ -	$ -
Interest expense ï lease liability	127	1,608	(1,481)
Interest expense ï other	142	1,826	(1,684)
Financing fees	-	5,171	(5,171)
Total financing expenses	$ 269	$ 8,605	$ (8,336)

The Company had a single long-term debt instrument, which matured in the first month of the 2020 fiscal year, such that there was virtually no expense incurred. The Companyõs present long-term debt is interest free however additional costs will arise starting April 2021 with the funding of the new equipment financing.

In accordance with IFRS 16 Leases, the Company recognizes imputed interest on its lease liability. The original lease liability matured March 2021 and the reduction in expense is reflective of the declining balance of that obligation. A new lease obligation was recognized March 31, 2021 and will give rise to new imputed interest costs commencing April 2021.

Interest expense ï other represents interest arising from the use of the Companyõs operating line as well as miscellaneous interest charges incurred. The Company has made no use of its bank operating line thus far in the 2021 fiscal year.

The Company was subject to an agreement with a related party whereby it could offer to sell specific accounts receivable to that related party at a discount from the face value of the receivable. That discount was accounted for as financing fees at the time of the sale. The agreement was terminated July 2020.

Liquidity

At March 31, 2021, the Company had working capital of $739,408 (June 30, 2020 ï $481,680) and current financial assets of $1,066,543 (June 30, 2020 ï $732,471) available to settle current financial liabilities of $1,142,340 (June 30, 2020 ï $1,002,533). The Company also has access to a $250,000 bank operating line, of which $115,000 (June 30, 2020 ï $Nil) had been drawn as of March 31, 2021.

In addition to satisfying the cost of operations the Company must also address the settlement of the following obligations as at March 31, 2021:

	Due by Mar. 2022	Due by Mar. 2023	Due by Mar. 2024	Due after Mar. 2024	Total Due
Long-term debt (1)	$ -	$ 5,000	$ 20,000	$ 35,000	$ 60,000
Lease liability (2)	146,709	156,365	166,353	359,446	828,873
Term financing (3)	53,632	60,413	62,479	137,224	313,748
	$ 200,341	$ 221,778	$ 248,832	$ 594,150	$ 1,202,621

(1) The Company has the right of pre-payment at any time without penalty and, if the balance is reduced to no more than $20,000 as at December 31, 2022, the loan balance will be forgiven.

(2) The Company has signed a lease extension for its operating facility covering a five-year period that commenced April 1, 2021.

Liquidity - continued

(3) The Company negotiated a bank term loan in the amount of $313,748 which was funded April 6, 2021. The proceeds of this loan are being used to fund the purchase of new machinery. The loan bears interest at 3.386% and is repayable over 5 years.

Capital Resources

The Company has a $250,000 commercial line of credit from which $Nil (June 30, 2020 - $Nil) was drawn as at March 31, 2021. The loan bears interest at the TD Bank prime lending rate plus 2.5%, is due upon demand, and is secured by a general security agreement covering the assets of PEC.

The Company has entered into a commitment to purchase a new machine at a price of US$328,721, plus delivery costs. A deposit of US$98,616 has been paid and is included in prepaid expenses as at March 31, 2021. A further payment of US$197,233 was made April 4, 2021 and the final balance of US$32,872 is due 30 days after the machine has been installed. The new machine is expected to be delivered May 30, 2021 and to be installed and operational promptly thereafter. The Company has negotiated a bank term loan in the amount of $313,748 which was funded April 6, 2021. The term loan will be repayable over five years and will bear interest at 3.386%.

The Company has not completed any financing transactions since June 30, 2020 however it did complete the following transactions related to its securities:

- 1,250,000 Convertible Preferred Shares Series 1 were issued in exchange for 25,000 Class A shares of Conversance Inc. If Conversance Inc. causes certain events to take place on or before June 30, 2021 then these shares will be automatically converted into common shares of the Company. If those events do not happen then the 1,250,000 Convertible Preferred Shares Series 1 will be redeemed for the aggregate redemption price of $1 and the 25,000 Class A shares of Conversance will be returned to the former owner.
- 1,150,500 common shares were issued upon the exercise of warrants for proceeds of $183,975
- 200,000 common shares were issued upon the exercise of stock options for proceeds of $10,000

Related Party Transactions

The Company had transactions during the periods with key management personnel and with 1114377 Ontario Inc., a company controlled by the spouse of a former Director of PEC. These include consulting fees paid to Steve Smith (President and CEO), consulting fees and accounting fees paid to Michael D. Kindy (CFO), Directorsô fees paid to independent Directors of the Company and its subsidiary, salaries and benefits paid to John Perreault and Wojciech Drzazga (3) as officers of PEC, legal fees paid to a legal firm in which William R. Johnstone (Corporate Secretary) is a partner, financing fees paid to 1114377 Ontario Inc., and share-based payments related to key management personnel. Compensation rates are agreed to by the related parties and are predicated upon prevailing market rates. The following expenses, involving these related parties, have arisen during the reporting periods:

Nine-month periods ended March 31	2021	2020
Salaries and benefits (1)	$ 100,740	$ 199,789
Consulting fees (1)	107,069	130,500
Directorsô fees (1)	28,750	11,265
Legal fees (2)	40,336	28,205
Accounting fees (2)	3,700	3,500
Financing fees	-	12,292
Legal fees accounted for as share issuance costs	-	5,000
Cash based expenditures	$ 280,595	$ 390,551
Share-based payments	$ -	$ -

(1) Charged to net income as an element of employee and consultant compensation.
(2) Charged to net income as an element of professional fees.

Related Party Transactions - continued

The following balances are due to related parties, and were reported in the unaudited condensed interim consolidated financial statements as an element of accounts payable and accrued liabilities, as at March 31 of each year:

	2020	2018
Salaries and benefits payable	$ 6,969	$ 10,497
Consulting and Director fees payable [(1)]	$ 412,551	$ 249,041
Legal fees payable	$ 72,178	$ 30,706

(1) During the period, the Company settled $153,500 owing to these related parties in exchange for 1,023,000 common shares.

The following stock options have been issued to Directors and/or Officers of the Company and were outstanding as at March 31, 2021:

Description	Expiry Date	Number of Common Shares
Stock options @ $0.05 per share [(1)]	Mar. 3, 2021	200,000
Stock options @ $0.95 per share	Jan. 12, 2023	350,000

(1) The expiry date of these options has been extended in accordance with the terms of the stock options agreements.

Convertible Instruments and Other Securities

The Company has the following securities issued and outstanding:

Common shares	Quantity	Amount
Balance June 30, 2020	22,876,696	$23,613,546
Warrants exercised	1,150,500	228,365
Stock options exercised	1,023,000	17,961
Balance at March 31, 2021 and as at the date of this document	24,227,196	$23,859,872

Convertible Preferred Shares Series 1	Quantity	Amount
Balance June 30, 2019, March 31, 2020, and June 30, 2020	-	$ -
Shares issued to acquire investment in Conversance Inc. *(note 6)*	1,250,000	1
Balance March 31, 2021	1,250,000	$ 1

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 @ $0.05 per share [(2)]	Mar. 2021	200,000
Conversion of Series 1 Preference shares	June 2021	1,250,000
Warrants @ $0.06 per share	Dec. 2021	2,360,000
Stock options @ $0.95 per share	Jan. 2023	350,000
Shares reserved at March 31, 2021 and as at the date of this document		4,168,246

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

(2) The expiry date of these options has been extended in accordance with the terms of the stock options agreements.

Convertible Instruments and Other Securities - continued

Fully diluted number of shares	Quantity
Shares issued at March 31, 2021 and as at the date of this document	24,227,196
Shares reserved at March 31, 2021 and as at the date of this document	4,168,246
Fully diluted number of shares at March 31, 2021 and as at the date of this document	28,395,442

Additional disclosures relative to stock options are as follows:

	Average Common Shares Under Option		Weighted Price per Option	Average Expiry Date
Balance at June 30, 2020	1,000,000	$	0.55	Sep. 2, 2021
Exercised during the period	(200,000)		0.05	Mar. 3, 2021
Expired during the period	(250,000)		0.79	Jul. 26, 2020
Balance at March 31, 2021 and as at the date of this document	550,000	$	0.62	May 9, 2022

The following stock options, each of which has vested, are outstanding:

	Common Shares Under Option		Exercise Price	Expiry Date
Granted March 3, 2016	200,000 [1, 2]	$	0.05	Mar. 3, 2021
Granted January 12, 2018	350,000 [1]	$	0.95	Jan. 12, 2023
Total stock options outstanding	1,000,000			

[1] Directors and/or Officers of the Company hold these options.
[2] The expiry date of these options has been extended in accordance with the terms of the stock options agreements.

No stock options were granted during the periods ended March 31, 2021 or March 31, 2020.

The following provides additional details with respect to share purchase warrants to the date of this document:

	Number of Warrants		Weighted Average Price per Warrant	Weighted Average Expiry Date
Balance at June 30, 2020	4,378,400	$	0.15	Aug. 30, 2021
Exercised during the period	(1,150,500)		1.10	Jul. 14, 2021
Expired during the period	(867,900)		0.40	Jan. 17, 2021
Balance at March 31, 2021 and as at the date of this document	2,360,000	$	0.06	Dec. 15, 2021

The following share purchase warrants are outstanding:

	Number of Warrants		**Exercise** Price	Expiry Date
Issued Dec. 15, 2016	2,360,000	$	0.06	Dec. 15, 2021

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

	Mar. 31 2021	June 30 2020
Dividend yield	None issued	Nil
Risk free interest rate (%)	None issued	1.27
Expected stock volatility (%)	None issued	119.88
Expected life (years)	None issued	1.0

Financial instruments

The Companyøs financial instruments are comprised of the following:

Financial assets:	*Classification*
Cash	Amortized cost
Accounts receivable	Amortized cost

Financial liabilities:	*Classification*
Bank operating loan	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Customer deposits	Amortized cost
Lease liability	Amortized cost
Long-term debt	Amortized cost

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

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

Impairment of Non-financial Assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an assetøs fair value less cost to sell or its value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an armøs length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the income for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in income for the period.

Impairment of Investments

Non-controlling interests, which are not financial instruments, and are less than a 20% ownership interest, are considered impaired when the carrying amount exceeds the recoverable amount. Non-controlling interests, which are not financial instruments, and are equal to or exceeding a 20% ownership interest (an equity instrument) is considered impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occur after the initial recognition of the asset (a 'loss event') and that loss event, or events, has an impact on the estimated future cash flows of the non-controlling interest that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognized.

Some items that may be taken into consideration in determining whether a loss event has occurred include significant financial difficulty of the investee, a breach of contract such as a default or delinquency in payments by the investee, it becomes probable that the investee will enter bankruptcy or other financial reorganization, or significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the investee operates, and such changes indicate that the cost of the equity instrument may not be recovered.

Impairment of Investments - continued

During the period there were no loss events nor any events that would cause a reversal, in whole or in part, of the impairment provision recognized during the fiscal year ended June 30, 2020.

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 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 Companyõs primary exposure to credit risk is in its accounts receivable. To help mitigate this risk, management actively manages and monitors its receivables and obtains pre-payments where warranted. It has been determined that all outstanding amounts are collectible. No bad debts were recognized during the periods ended March 31, 2021 or March 31, 2020.

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 Companyõs revenues during a reporting period. During the nine-month period ended March 31, 2021 the Company had two major customers who represented 21% and 15% of total revenues. In the comparative period, there were two major customers which represented 19% and 17% of revenues. Amounts due from major customers represented 48% of accounts receivable at March 31, 2021 (Mar. 31, 2020 - 13%). 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.

Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. At March 31, 2021 the Company had current financial assets of $1,066,543 (June 30, 2020 - $732,471) available to settle current financial liabilities of $1,142,340 (June 30, 2020 - $1,002,533). The Company manages its liquidity risk through the management of its capital which incorporates the continuous monitoring of actual and projected cash flows to ensure that it has sufficient liquidity to meet its operating commitments without incurring unacceptable losses or risking damage to the Companyõs reputation.

Market risks

The Company is exposed to interest rate risk due a bank operating loan that has a floating interest rate as well as currency risk related to accounts receivable, accounts payable, customer deposits, and nominal amounts of cash, prepaid expenses, and customer deposits denominated in US dollars. Market risks give rise to the potential for future cash flows to fluctuate because of changes in interest rates or foreign exchange rates. Market risks are closely monitored and attempts are made to match foreign cash inflows and outflows. During the current period the Company reported a foreign exchange gain in the amount of $1,853 (Mar. 31, 2020 ï gain of $4,143).

Risk Factors - continued

Sensitivity to market risks

At March 31, 2021, the Company had:

- A bank operating loan that had not been drawn upon (June 30, 2020 - $Nil), which bears interest predicated upon the TD Bank prime lending rate. Based upon the current amount due on the operating loan, a 1% increase in the TD Bank prime lending rate, as at the financial reporting date, would result in no additional interest expense over the next 12 month period.
- US$89,593 (June 30, 2020 ï US$61,399) included in accounts receivable. A 10% increase in the value of the Canadian dollar relative to the US dollar would result in a reduction of $2,400 in future cash inflow.
- US$120,424 (June 30, 2020 ï US$114,337) included in accounts payable. A 10% decrease in the value of the Canadian dollar relative to the US dollar would result in an increase of $3,175 in future cash outflow.

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

Forward-looking Information

Certain statements in this MD&A may constitute ñforward-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.