ZTEST Electronics Inc.

Unaudited Condensed Interim Consolidated Financial Statements

September 30, 2021

(Stated in Canadian Dollars)

<u>Responsibility for Financial Statements</u>

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the unaudited condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of management. These condensed interim consolidated financial statements are presented on the accrual basis of accounting and accordingly, a precise determination of many assets and liabilities is dependent upon future events. Where necessary, management has made informed judgments and estimates in accounting for these assets and liabilities and for transactions which were not complete at the end of the reporting period. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these unaudited condensed interim consolidated financial statements have been fairly presented.

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors on November 24, 2021. They have not been reviewed by the Companyôs auditors.

Unaudited Condensed Interim Consolidated Statements of Financial Position
(Stated in Canadian Dollars)
September 30, 2021

	Sept. 30 2021	June 30 2021
Assets		
Current assets		
Cash	**$ 528,386**	$ 557,013
Accounts receivable	**394,945**	654,758
Inventories *(note 3)*	**692,952**	488,333
Prepaid expenses	**21,605**	17,416
	1,637,888	1,717,520
Equipment *(note 4)*	**556,893**	580,807
Right-of-use asset *(note 5)*	**780,986**	822,430
Investments *(note 6)*	**1**	1
	$ 2,975,768	$ 3,120,758
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities *(note 11)*	**$ 992,799**	$ 959,507
Customer deposits	**-**	1
Current portion of lease liability *(note 8)*	**151,496**	149,092
Current portion of long-term debt *(note 9)*	**59,407**	58,932
	1,203,702	1,167,532
Lease liability *(note 8)*	**604,643**	643,568
Long-term debt *(note 9)*	**290,200**	305,223
	2,098,545	2,116,323
Shareholders' Equity		
Share capital *(note 10)*	**23,922,372**	23,859,872
Warrants *(note 10)*	**40,913**	53,052
Contributed surplus *(note 10)*	**1,642,968**	1,650,929
Deficit	**(24,729,030)**	(24,559,418)
	877,223	1,004,435
	$ 2,975,768	$ 3,120,758

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Approved by the Board:

Signed: "K. Michael Guerreiro" — Director

Signed: "Steve Smith" — Director

ZTEST Electronics Inc.

Unaudited Condensed Interim Consolidated Statement of Changes in Equity
(Stated in Canadian Dollars)
September 30, 2021

	Share Capital	Warrants	Contributed Surplus	Deficit	Total
Balance, June 30, 2020	$ 23,613,546	$ 217,665	$ 1,538,667	$ (24,605,180)	$ 764,698
Preferred shares issued	1	-	-	-	1
Warrants expired	-	(3,682)	3,682	-	-
Net income for the period	-	-	-	81,886	81,886
Balance, September 30, 2020	23,613,547	213,983	1,542,349	(24,523,294)	846,585
Stock options exercised	17,961	-	(7,961)	-	10,000
Warrants exercised	228,365	(44,390)	-	-	183,975
Warrants expired	-	(116,541)	116,541	-	-
Preferred shares redeemed	(1)	-	-	-	(1)
Net loss for the period	-	-	-	(36,124)	(36,124)
Balance, June 30, 2021	23,859,872	53,052	1,650,929	(24,559,418)	1,004,435
Stock options exercised	17,961	-	(7,961)	-	10,000
Warrants exercised	44,539	(12,139)	-	-	32,400
Net loss for the period	-	-	-	(169,612)	(169,612)
Balance, September 30, 2021	**$ 23,922,372**	**$ 40,913**	**$ 1,642,968**	**$ (24,729,030)**	**$ 877,223**

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Unaudited Condensed Interim Consolidated Statements of Comprehensive (Loss) Income
(Stated in Canadian Dollars)
For the three month periods ended September 30

		2021		2020
Product sales	**$**	**630,121**	$	1,053,501
Cost of product sales *(note 3)*		**481,985**		696,573
		148,136		356,928
Expenses				
Selling, general and administrative *(note 12)*		**308,190**		273,774
Interest expense - long-term debt		**2,521**		-
Interest expense ï lease liability *(note 8)*		**6,486**		878
Interest expense - other		**133**		162
Finance fees *(note 11)*		**-**		-
Depreciation of equipment		**1,375**		1,089
Foreign exchange (gain)		**(957)**		(861)
		317,748		275,042
(Loss) income before provision for income taxes		**(169,612)**		81,886
Provision for income taxes		**-**		-
Net (loss) income and comprehensive (loss) income for the period	**$**	**(169,612)**	$	81,886
Net (loss) income per share				
Basic	**$**	**(0.01)**	$	0.00
Fully diluted	**$**	**(0.01)**	$	0.00
Weighted average shares outstanding				
Basic		**24,435,239**		22,876,696
Fully diluted		**24,435,239**		25,446,682

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Unaudited Condensed Interim Consolidated Statements of Cash Flows
(Stated in Canadian Dollars)
For the three month periods ended September 30

		2021		2020
Cash flow from operating activities				
Net (loss) income for the period	$	**(169,612)**	$	81,886
Items not involving cash				
Depreciation of equipment		**26,993**		10,660
Depreciation of right of use assets		**41,444**		25,700
Accreted lease interest		**6,486**		878
Changes in non-cash working capital items:				
Accounts receivable		**259,813**		70,115
Inventories		**(204,619)**		57,783
Prepaid expenses		**(4,189)**		13,679
Customer deposits		**(1)**		-
Accounts payable and accrued liabilities		**33,292**		(21,691)
		(10,393)		239,010
Cash flow from investing activities				
Purchase of equipment		**(3,079)**		-
Cash flow from financing activities				
Repayment of long-term debt		**(14,548)**		-
Repayment of lease obligation		**(43,007)**		(26,935)
Share issuance		**42,400**		-
		(15,155)		(26,935)
(Decrease) increase in cash		**(28,627)**		212,075
Cash, beginning of period		**557,013**		220,403
Cash, end of period	$	**528,386**	$	432,478

Supplemental Disclosure of Cash Flow Information:

During the period the Company had cash flows arising from interest and income taxes paid as follows:

Interest	$	**2,658**	$	162
Income taxes	$	**-**	$	-

The accompanying notes are an integral part of these condensed interim consolidated financial statements

(Stated in Canadian Dollars)

1. Business of the Company

ZTEST Electronics Inc. (ñthe Companyò) amalgamated under the laws of Ontario and carries on business at 523 McNicoll Avenue, Toronto, Ontario designing, developing, and assembling printed circuit boards and other electronic equipment. The Company's shares trade on the Canadian Securities Exchange (ñCSEò) under the symbol "ZTE".

2. Significant Accounting Policies

Statement of compliance
The Company has prepared these unaudited condensed interim financial statements in accordance with IAS 34, *Interim Financial Reporting*, employing all of the same accounting policies and methods of computation as disclosed in the annual financial statements as at June 30, 2021.

The notes to these unaudited condensed interim consolidated financial statements are intended to provide a description of events and transactions that are significant to an understanding of the changes in the Companyôs financial position and performance since June 30, 2021. Certain disclosures that appear in the annual financial statements have not been reproduced in these unaudited condensed interim consolidated financial statements and, in this regard only, these unaudited condensed interim financial statements do not conform in all respects to the requirements of IFRS for annual consolidated financial statements. Accordingly, these unaudited condensed interim consolidated financial statements should only be read in conjunction with the annual financial statements as at June 30, 2021.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on November 24, 2021.

Basis of presentation and going concern considerations
These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis using the accrual basis of accounting, except for cash flow information, and in accordance with IFRS applicable to a ñgoing concernò. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. If the going concern assumption were not appropriate for these unaudited condensed interim consolidated financial statements then adjustments would be necessary in the carrying values of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used.

Basis of consolidation
These unaudited condensed interim consolidated financial statements include the accounts of the Company as well as the following subsidiaries' assets and liabilities and the revenues and expenses arising, subsequent to the date of acquisition:

Permatech Electronics Corporation (ñPECò)	- 100%	owned
Twenty49 Ltd	- 100%	owned (inactive)
Northern Cross Minerals Inc.	- 66.7%	owned (inactive)

Significant accounting judgments and estimates
The preparation of these unaudited condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates. These unaudited condensed interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the unaudited condensed interim consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant estimates and judgments include, but are not limited to, the assessment of the Company as a going concern, recoverability of inventory, the inputs used in applying the Black-Scholes valuation model, and the recognition and valuation of deferred tax amounts.

(Stated in Canadian Dollars)

2. Significant Accounting Policies - continued

Financial instruments
The Companyôs financial instruments are comprised of the following:

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

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

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

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

Impairment of non-financial assets
At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. The Company has assessed the assets of all its operating entities and has determined that there is no impairment of its non-financial assets.

Income (loss) per share
The Company presents basic and diluted income (loss) per share data for its common shares, calculated by dividing the income (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the financial reporting period. Diluted income (loss) per share is determined by adjusting the income (loss) attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

Stock options and warrants outstanding are excluded from the computation of diluted income (loss) per share if their inclusion would increase the income per share, or decrease the loss per share, or if their exercise price exceeds the average market price of the Companyôs shares for the financial reporting period.

Segment disclosure
The Company has a single location and operating segment. Accordingly, all revenues are generated in Canada and all assets are located in Canada.

3. Inventories

The carrying value of inventory is comprised of:

	Sept. 30 2021	June 30 2021
Raw materials and supplies [(1)]	**$ 640,480**	$ 432,917
Work in process	**25,538**	31,859
Finished goods	**26,934**	23,557
	$ 692,952	$ 488,333

[(1)] Raw materials and supplies is presented net of provisions for obsolete and/or slow moving items in the amount of $12,704 (June 2021 - $4,373).

(Stated in Canadian Dollars)

3. Inventories - continued

Inventory utilization during the period was as follows:

		Sept. 30 2021		Sept. 30 2020
Raw materials and supplies used	**$**	**273,067**	$	531,064
Labour costs *(note 16)*		**150,765**		143,771
Depreciation		**25,618**		9,571
Repairs and maintenance		**1,148**		1,439
Other costs		**28,444**		25,001
Net change in finished goods and work in process		**2,943**		(14,273)
Cost of product sales	**$**	**481,985**	$	696,573

4. Equipment

		Computer Equipment		**Office Equipment**		**Manufacturing Equipment**		**Leasehold Improvements**		**Total**
Cost:										
Balance, June 30, 2020	$	186,418	$	71,277	$	2,597,014	$	84,143	$	2,937,482
Additions		-		-		-		-		-
Balance, Sept. 30, 2020		186,418		71,277		2,597,014		84,143		2,937,482
Additions		5,703		-		407,517		-		413,220
Balance, June 30, 2021		192,121		71,277		3,004,531		84,143		3,352,072
Additions		1,100		-		1,979		-		3,079
Disposals		-		-		(313,331)		-		(313,331)
Balance, Sept. 30, 2021	**$**	**193,221**	**$**	**71,277**	**$**	**2,693,179**	**$**	**84,143**	**$**	**3,041,820**
Accumulated Depreciation:										
Balance, June 30, 2020	$	(180,952)	$	(70,449)	$	(2,405,117)	$	(71,416)	$	(2,727,934)
Depreciation		(410)		(41)		(9,631)		(579)		(10,661)
Balance, Sept. 30, 2020		(181,362)		(70,490)		(2,414,748)		(71,995)		(2,738,595)
Depreciation		(1,920)		(124)		(28,891)		(1,735)		(32,670)
Balance, June 30, 2021		(183,282)		(70,614)		(2,443,639)		(73,730)		(2,771,265)
Depreciation		(704)		(34)		(25,677)		(579)		(26,993)
Disposals		-		-		313,331		-		313,331
Balance, Sept. 30, 2021	**$**	**(183,986)**	**$**	**(70,648)**	**$**	**(2,155,985)**	**$**	**(74,309)**	**$**	**(2,738,595)**
Carrying Amounts:										
June 30, 2020	$	5,466	$	828	$	191,897	$	12,727	$	210,918
September 30, 2020	$	5,056	$	787	$	182,266	$	12,148	$	200,257
June 30, 2021	$	8,839	$	663	$	560,892	$	10,413	$	580,807
September 30, 2021	**$**	**9,235**	**$**	**629**	**$**	**537,194**	**$**	**9,835**	**$**	**556,893**

(Stated in Canadian Dollars)

5. Right of use asset

The Company occupies its operating facility under a lease extension that expires March 2026. The right-of-use asset was initially recorded at cost equal to the present value of the remaining lease payments, plus a refundable deposit paid at the inception of the lease. Subsequent to initial recording, the carrying-value of the right-of-use asset is equal to cost less accumulated depreciation and, if any, impairment losses and remeasurement of the lease liability. Depreciation is calculated on a straight-line basis over the remaining term of the lease and charged to net income as an element of occupancy costs *(note 11)*. There have been no impairment losses and no remeasurement of the lease liability.

Cost recognized upon adoption of IFRS 16	$ 214,897
Depreciation recorded as an element of occupancy costs	(102,798)
Balance at June 30, 2020	112,099
Depreciation recorded as an element of occupancy costs	(25,700)
Balance at September 30, 2020	86,399
Cost recognized upon extension of the lease	828,873
Depreciation recorded as an element of occupancy costs	(92,842)
Balance at June 30, 2021	822,430
Depreciation recorded as an element of occupancy costs	(41,444)
Balance at September 30, 2021	$ 780,986

6. Investments

The Company holds a non-controlling interest in Conversance Inc., a private Canadian technology company. The shares of Conversance Inc. are subject to a hold period and, unless permitted under securities legislation, the shares may not be traded before the date that is four months and a day after the issuer becomes a reporting issuer in any province or territory.

Conversance Inc. is engaged in the development of its proprietary technology and has not yet produced any revenues. The timing of such revenues, if any, is not currently determinable. The absence of cash flows, or the ability to predict when any may arise, made it infeasible for the Company to ascertain the value of Conversance Inc. as a going concern as at June 30, 2020. Accordingly, a provision for impairment was recognized to reduce the carrying value of the investment to $1. Should future circumstances warrant doing so, this provision may be reversed, but only to the extent that the carrying value of the investment at the time of reversal does not exceed the carrying value that would have resulted had the provision not been recorded.

During the 2021 fiscal year, ZTEST entered into an agreement with the founder and majority shareholder of Conversance Inc. whereby ZTEST issued 1,250,000 Convertible First Preferred Shares Series 1 to that majority shareholder in exchange for 25,000 Class A common shares of Conversance Inc. The ZTEST Series 1 shares would have been automatically converted to common shares of ZTEST if, and only if, Conversance had completed an armǿs length financing by June 30, 2021 whereby at least 130,139 Class A shares were issued at a price of at least $10 per Class A share. No such financing occurred therefore the preferred shares were redeemed for an aggregate price of $1 and the 25,000 Class A common shares of Conversance Inc. were to be returned to the majority shareholder. However, the Class A shares were not returned and a replacement agreement was executed subsequent to the end of this financial reporting period. This replacement agreement replaced the 1,250,000 Convertible First Preferred Shares Series 1 shares with 1,250,000 Convertible First Preferred Shares Series 2 shares and the expiry date was extended to June 30, 2022. The trigger for automatic conversion to common shares on a 1:1 basis remained unchanged.

ZTEST retains its right to maintain its 25.29% interests by subscribing for the requisite number of Class A common shares of Conversance, at the same price and payment terms applicable to any financing. ZTEST has been granted an option by Conversance Inc., to acquire 75,000 Class A common shares from treasury, in exchange for a cash payment of $1,000,000. This option was set to expire December 31, 2022 but the replacement agreement noted above extended that expiry to June 30, 2023.

(Stated in Canadian Dollars)

6. Investments - continued

		Sept. 30 2021		June 30 2021
296,250 Class A common shares, representing a 25.29% interest	**$**	**1,129,762**	$	1,129,762
Equity in post-acquisition loss		**(152,109)**		(152,109)
Impairment provision		**(977,652)**		(977,652)
Aggregate investment	**$**	**1**	$	1

7. Bank operating loan

The Company has a line of credit, which was not drawn upon as at September 30, 2021 or June 30, 2021. It may be drawn to a maximum of $250,000, 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.

8. Lease liability

The Company occupies its operating facility under a lease extension that expires March 2026. A refundable deposit of $35,000 was paid at the inception of the lease. The lease liability was initially recorded at the present value of the remaining lease payments, discounted using the Companyôs incremental borrowing rate, which was determined to be 5.7% for the initial lease and 3.386% for the extension. The lease liability is subsequently reduced by the lease payments paid and increased by interest imputed at the discount rate as follows:

Present value of lease payments remaining upon adoption of IFRS 16	$	179,897
Lease payments paid		(107,742)
Interest imputed at 5.7%		7,141
Balance at June 30, 2020		79,296
Lease payments paid during period		(26,935)
Interest imputed at 5.7%		878
Balance at September 30, 2020		53,239
Lease payments paid during period		(96,878)
Interest imputed		7,426
Present value of lease payments upon lease extension		828,873
Balance at June 30, 2021		792,660
Lease payments paid during period		(43,007)
Interest imputed at 3.386%		6,486
Balance at September 30, 2021	$	756,139
Less current portion		(151,496)
	$	604,643

Subsequent to the financial reporting date, the Company has negotiated a new extension to this lease which establishes the monthly lease payments required from April 2021 to March 2026.

(Stated in Canadian Dollars)

9. Long-Term Debt

	Sept. 30 2021	June 30 2021
Canadian Emergency Business Account (CEBA), non-interest bearing until December 31, 2022, then 5% per annum, payable monthly until maturity December 31, 2025. Principal repayments are not required until maturity. The principal amount may be pre-paid in whole or in part at any time without penalty. Provided the loan balance is no more than $20,000 as at December 31, 2022 the remaining balance of the loan will be forgiven.	**$ 60,000**	$ 60,000
Term loan bearing interest at 3.386% matures April 2026. Monthly payments of $5,691, blended as to principal and interest, are required until maturity.	**289,607**	304,155
	349,607	364,155
Less: current portion	**59,407**	58,932
	$ 290,200	$ 305,223

The minimum annual future principal repayments are as follows:

2022	$ 59,407
2023	71,451
2024	83,550
2025	85,742
2026	49,457
	$ 349,607

10. Share Capital

Authorized

Unlimited	Common shares
Unlimited	Preferred shares in one or more series.
1,250,000	Convertible Preferred Shares Series 1, which were issued and later redeemed.

Issued

	Sept. 30 2021	June 30 2021
Common shares	**$ 23,922,372**	$ 23,859,872

Common shares	**Number of Shares [1]**	**Amount**
Balance June 30, 2020 and September 30, 2020	22,876,696	$ 23,623,546
Warrants exercised	1,150,500	228,365
Stock options exercised	200,000	17,961
Balance June 30, 2021	24,227,196	23,859,872
Warrants exercised	540,000	44,539
Stock options exercised	200,000	17,961
Balance September 30, 2021	24,967,196	**$ 23,922,372**

[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.

(Stated in Canadian Dollars)

10. Share Capital - continued

Details of warrants outstanding:

	Number of Warrants	Amount
Balance June 30, 2020	4,378,400	$ 217,665
Warrants expired	(15,400)	(3,682)
Balance September 30, 2020	4,363,000	213,983
Warrants exercised	(1,150,500)	(44,390)
Warrants expired	(852,500)	(116,541)
Balance June 30, 2021	2,360,000	53,052
Warrants exercised	(540,000)	(12,139)
Balance September 30, 2021	1,820,000	**$ 40,913**

	Number of Warrants	Exercise Price	Expiry Date
Issued Dec. 15, 2016	1,820,000	$ 0.06	Dec. 15, 2021

	Number of Warrants	Weighted Average Price per Warrant	Weighted Average Expiry Date
Beginning of period	2,360,000	$ 0.06	Dec. 15, 2021
Warrants exercised during the period	(540,000)	$ 0.06	Dec. 15, 2021
End of period	1,820,000	$ 0.06	Dec. 15, 2021

No warrants options were issued during the period ended September 30, 2021 or during the year ended June 30, 2021.

Details of options outstanding:

	Common Shares Under Option	Weighted Average Price per Option	Weighted Average Expiry Date
Balance, beginning of the period	550,000	$ 0.62	May 9, 2022
Exercised during the period	(200,000) (1)	$ 0.05	Aug. 26, 2021
Balance, end of the period	350,000 (2)	$ 0.95	Jan. 12, 2023

	Common Shares Under Option	Number of Options Vested	Exercise Price	Expiry Date
Granted January 12, 2018	350,000 (2)	350,000	$ 0.95	Jan. 12, 2023

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

No stock options were granted during the period ended September 30, 2021 or during the year ended June 30, 2021.

Share based payment transactions and contributed surplus
The Company has a stock option plan. The aggregate number of common shares reserved for issuance under this plan cannot exceed 20% of the aggregate number of common shares of the Company that are issued and outstanding. The Company has granted options for the purchase of common shares to employees, directors, officers and other service providers. The fair values of stock options granted have been determined using the Black-Scholes model and are added to contributed surplus as follows:

(Stated in Canadian Dollars)

10. Share Capital - continued

Share based payment transactions and contributed surplus - continued

	Sept. 30 2021	June 30 2021
Contributed surplus, beginning of period	**$ 1,650,929**	$ 1,538,667
Stock options exercised	**(7,961)**	(7,961)
Warrants expired	**-**	120,223
Contributed surplus, end of period	**$ 1,642,968**	$ 1,650,929

11. Related Party Transactions and Balances

The Company had transactions during the periods presented with key management personnel.

All expenses and period end balances with related parties are at exchange amounts established and agreed to by the related parties. All transactions with related parties are in the normal course of operations and have been carried out on the same terms as those accorded to unrelated parties.

Description	Sept. 30 2021	Sept. 30 2020
Employee and consultant compensation	**$ 85,415**	$ 80,733
Professional fees	**4,568**	16,845
	$ 89,983	$ 97,578
Stock-based compensation	**$ -**	$ -

As at September 30, 2021 there was a balance of $544,394 (June 30, 2021 - $517,217) included in accounts payable and accrued liabilities that was payable to these related parties.

12. Selling, general and administrative expenses

Selling, general and administrative expenses are comprised of the following amounts:

	Sept. 30 2021	Sept. 30 2020
Employee and consultant compensation *(notes 11 and 16)*	**$ 203,842**	$ 163,519
Occupancy costs *(note 5)*	**68,878**	66,562
Professional fees *(note 11)*	**12,318**	23,721
Shareholder services	**4,550**	4,309
Insurance	**7,956**	8,526
Other	**10,646**	7,137
	$ 308,190	$ 273,774

13. Income Taxes

Deferred Tax

The following table summarizes the components of deferred tax:

	Sept. 30 2021	Sept. 30 2020
Deferred tax assets: Non-capital losses carried forward	**$ 2,223**	$ 2,294
Deferred tax liabilities: Temporary timing differences	**(2,223)**	(2,294)
Net deferred tax liabilities	**$ -**	$ -

(Stated in Canadian Dollars)

13. Income Taxes - continued

Unrecognized Deferred Tax Assets
Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	Sept. 30 2021	June 30 2021
Inventory	**$ 12,704**	$ 4,373
Share issuance costs	**23,799**	23,799
Property, plant and equipment	**34,191**	34,132
Resource related expenditures	**349,050**	349,050
Scientific research and experimental development	**1,050,618**	1,050,618
Net capital loss carry-forwards	**2,190,401**	2,166,546
Non-capital loss carry-forwards	**15,592,989**	15,592,989

Share issue costs expire from 2021-2023 and non-capital loss carry-forwards expire from 2030-2041. The remaining deductible temporary differences may be carried forward indefinitely but net capital loss carry-forwards can only be used to reduce capital gains. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

14. Capital disclosures

The Companyǿs objective when managing capital is to ensure its ability to meet operating commitments as they become due and to provide return for shareholders. This is achieved by continuously monitoring actual and projected cash flows and making adjustments to capital as necessary. Except for the repayment terms associated with long-term debt instruments, there are no externally imposed capital requirements.

	Sept. 30 2021	June 30 2021
Long-term debt	**$ 349,607**	$ 364,155
Share Capital	**23,922,372**	23,859,873
Warrants	**40,913**	53,052
Contributed surplus	**1,642,968**	1,650,929
Deficit	**(24,729,030)**	(24,559,418)
Net capital under management	**$ 1,226,830**	$ 1,368,591

15. Financial risk factors

The Company is exposed in varying degrees to the following financial instrument related risks:

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Companyǿs primary exposure to credit risk is in its accounts receivable. In an effort to mitigate this risk, management actively manages and monitors its receivables and obtains pre-payments where warranted. It has been determined that no allowance is required, as all amounts outstanding are considered collectible. The Company incurred no bad debts during the periods ended September 30, 2021 or September 30, 2020.

15. Financial risk factors - continued

Concentration of credit risk

Concentration of credit risk arises when one or more customers individually account for 10% or more of the Companyǿs revenues during a reporting period. The Company had 2 customers during the current period, representing 17% and 11% of revenues (Sept. 30, 2020 - 2 customers, 20% and 15% of revenues). Amounts due from these customers represented 6% of accounts receivable at September 30, 2021 (Sept. 30, 2020 - 36%). The loss of, or significant curtailment of purchases by, such a customer, could have a material adverse effect on the Company's results of operations and financial condition. The Company monitors the relationship with all customers closely and ensures that every customer is subject to the same risk management criteria.

Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. At September 30, 2021 the Company had current financial assets of $923,331 (June 30, 2021 - $1,211,771) available to settle current financial liabilities of $1,203,702 (June 30, 2021 - $1,167,532). The Company manages its liquidity risk through the management of its capital *(note 14)* which incorporates the continuous monitoring of actual and projected cash flows to ensure that it has sufficient liquidity to meet its operating commitments without incurring unacceptable losses or risking damage to the Companyǿs 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, and nominal amounts of cash prepaid expenses, and customer deposits, denominated in US dollars. Market risks give rise to the potential for future cash flows to fluctuate because of changes in interest rates or foreign exchange rates. Market risks are closely monitored and attempts are made to match foreign cash inflows and outflows. During the current period the Company has reported a foreign exchange gain of $957 (Sept. 30, 2020 ï gain of $861).

Sensitivity to market risks

At September 30, 2021, the Company had:

- A bank operating loan that had not been drawn upon (June 30, 2021 - $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$38,255 (June 30, 2021 ï US$175,397) 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 $1,913 in future cash inflow.
- US$93,297 (June 30, 2021 ï US$103,251) 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 $4,665 in future cash outflow.

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

16. COVID-19

On January 30, 2020 the World Health Organization (WHO) declared COVID-19 a global health emergency and on March 11, 2020 they declared it a pandemic. These WHO declarations were soon followed by announcements of numerous restrictions by domestic and international governments affecting the way people could interact and how business was conducted. Many of these restrictions remain in place as of the financial reporting date.

As a contract manufacturer, the Company met the Ontario definition of an essential business thus allowing it to continue operations. The Company encouraged certain personnel to work from home and took steps to facilitate physical distancing and other safety measures for those for whom working from home was not feasible. To the date of the approval of these unaudited condensed consolidated financial statements, the Company, including its subsidiaries and investee company, have operated free of positive tests positive for COVID-19.

16. COVID-19 - continued

The health and safety of our personnel is our top priority however continuing to operate free of COVID-19 infections does not ensure that there will be no related implications to the business. The present and future economic effects of COVID-19 cannot be accurately predicted at this time. This includes the potential impact the pandemic may have on the Company's suppliers and customers as well as the market risks described in note 14. Although these potential effects cannot be quantified, the Company anticipates that COVID-19 could have an adverse impact on its future business, results of operations, financial position and cash flows.

To help mitigate the uncertainty created by COVID-19, the Company has availed itself of subsidies made available to it by the Canadian Federal government. The Company has obtained subsidy under the Canada Emergency Business Account (CEBA, note 9), the Canada Emergency Wage Subsidy (CEWS), and the Canada Emergency Rent Subsidy (CERS). During the period, obtained CERS benefits of $12,848 which has been applied to reduce Occupancy costs *(note 12)* and CEWS benefit during the year in the amount of $60,242 which has been applied to reduce Labour costs *(note 4)* and Employee and consultant compensation *(note 12)*. The Company will continue to monitor all government subsidies and will make application wherever it satisfies the eligibility criteria.