ZTEST Electronics Inc.

Unaudited Condensed Interim Consolidated Financial Statements

September 30, 2023

(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 28, 2023. They have not been reviewed by the Companyĝs auditors.

Unaudited Condensed Interim Consolidated Statements of Financial Position
(Stated in Canadian Dollars)
September 30, 2023

	Sept. 30 2023	June 30 2023
Assets		
Current assets		
Cash	$ 192,668	$ 232,875
Accounts receivable	1,393,828	957,504
Inventories *(note 3)*	2,062,135	1,829,953
Prepaid expenses	22,255	27,608
	3,670,886	3,047,940
Equipment *(note 4)*	384,138	402,921
Right-of-use asset *(note 5)*	449,436	490,880
Investments *(note 6)*	1	1
	$ 4,504,461	$ 3,941,742
Liabilities		
Current liabilities		
Bank operating loan *(note 7)*	$ 115,000	$ 110,000
Accounts payable and accrued liabilities *(note 11)*	2,151,794	1,749,562
Customer deposits	180,089	209,694
Government remittances payable	67,014	-
Current portion of lease liability *(note 8)*	171,475	168,904
Current portion of long-term debt *(note 9)*	83,779	77,454
	2,769,151	2,315,614
Lease liability *(note 8)*	271,851	315,834
Long-term debt *(note 9)*	134,970	168,904
Deferred taxes *(note 13)*	49,194	36,043
	3,225,166	2,834,331
Shareholders' Equity		
Share capital *(note 10)*	24,064,236	24,064,236
Contributed surplus *(note 10)*	1,704,197	1,704,197
Deficit	(24,489,138)	(24,661,022)
	1,279,295	1,107,411
	$ 4,528,503	$ 3,941,742

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, 2023

	Share Capital	Warrants	Contributed Surplus	Deficit	Total
Balance, June 30, 2022	$ 24,064,236	$ -	$ 1,645,217	$ (24,826,296)	$ 883,157
Stock options granted	-	-	58,980	-	58,980
Net loss for the period	-	-	-	(109,866)	(109,866)
Balance, September 30, 2022	24,064,236	-	1704,197	(24,913,033)	832,271
Net income for the period	-	-	-	252,011	252,011
Balance, June 30, 2023	24,064,236	-	1,704,197	(24,661,022)	1,107,411
Net income for the period	-	-	-	171,884	171,884
Balance, September 30, 2023	**$ 24,064,236**	**$ -**	**$ 1,704,197**	**$ (24,489,138)**	**$ 1,270,295**

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

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

		2023		2022
Product sales	$	**1,879,486**	$	1,168,956
Cost of product sales *(note 3)*		**1,229,606**		856,722
		649,880		312,234
Expenses				
Selling, general and administrative *(note 12)*		**389,919**		364,257
Stock compensation *(notes 10 and 12)*		**-**		58,980
Interest expense - long-term debt		**1,495**		2,017
Interest expense ï lease liability *(note 8)*		**3,858**		5,214
Interest expense - other		**2,062**		627
Depreciation of equipment		**1,001**		1,139
Foreign exchange gain		**(504)**		(10,134)
		397,831		422,100
Income (loss) before provision for income taxes		**252,049**		(109,866)
Provision for income taxes *(note 13)*				
Current		**67,014**		-
Deferred		**13,151**		-
		80,165		-
Net income (loss) and comprehensive income (loss) for the period	$	**171,884**	$	(109,866)
Net income (loss) per share:				
Basic	$	**0.01**	$	(0.00)
Fully diluted	$	**0.01**	$	(0.00)
Weighted average shares outstanding:				
Basic		**26,687,196**		26,687,196
Fully diluted		**26,695,442**		26,687,196

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

		2023		2022
Cash flow from operating activities				
Net income (loss) for the period	**$**	**171,884**	$	(109,866)
Items not involving cash				
Depreciation of equipment		**20,587**		25,495
Depreciation of right of use assets		**41,444**		41,444
Accreted lease interest		**3,858**		5,214
Stock compensation expense		**-**		58,980
Provision for income taxes ï deferred		**13,151**		-
		250,924		21,267
Changes in non-cash working capital items:				
Accounts receivable		**(436,324)**		195,857
Inventories		**(232,182)**		(250,788)
Prepaid expenses		**5,353**		(31,754)
Customer deposits		**(29,605)**		268,904
Accounts payable and accrued liabilities		**402,232**		79,452
Government remittances payable		**67,014**		-
		27,412		282,938
Cash flow from investing activities				
Purchase of equipment		**(1,804)**		-
Cash flow from financing activities				
Proceeds of bank operating loan, net		**5,000**		-
Repayment of long-term debt		**(25,545)**		(15,024)
Repayment of lease obligation		**(45,270)**		(44,138)
		(65,815)		(59,162)
(Decrease) increase in cash		**(40,207)**		223,776
Cash, beginning of period		**232,875**		267,640
Cash, end of period	**$**	**192,668**	$	491,416

Supplemental Disclosure of Cash Flow Information:

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

Interest	**$**	**3,591**	$	2,678
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 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, 2023.

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, 2023. 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, 2023.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on November 28, 2023.

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 Companyǿs 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 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 Companyǿs 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 2023	June 30 2023
Raw materials and supplies [1]	**$ 1,953,394**	$ 1,773,817
Work in process	**84,214**	36,812
Finished goods	**24,527**	19,324
	$ 2,062,135	$ 1,829,953

(Stated in Canadian Dollars)

3. Inventories - continued

[1] Raw materials and supplies is presented net of provisions for obsolete and/or slow-moving items in the amount of $60,414 (June 2023 - $36,200). Management makes estimates of future demand when establishing appropriate provisions. To the extent that actual inventory losses differ from these estimates both inventories and net income (loss) will be affected.

Inventory utilization during the period was as follows:

	Sept. 30 2023	Sept. 30 2022
Raw materials and supplies used	**$ 940,832**	$ 597,175
Labour costs *(note 16)*	**270,417**	202,289
Depreciation	**19,586**	24,355
Repairs and maintenance	**2,480**	3,559
Other costs	**48,896**	37,558
Net change in finished goods and work in process	**(52,605)**	(8,214)
Cost of product sales	**$ 1,229,606**	$ 856,722

4. Equipment

	Computer Equipment	**Office Equipment**	**Manufacturing Equipment**	**Leasehold Improvements**	**Total**
Cost:					
Balance, June 30, 2022	$ 193,221	$ 71,277	$ 2,697,773	$ 84,143	$ 3,046,414
Additions	-	-	-	-	-
Balance, Sept. 30, 2022	193,221	71,277	2,697,773	84,143	3,046,414
Additions	-	-	-	-	-
Balance, June 30, 2023	193,221	71,277	2,697,773	84,143	3,046,414
Additions	1,804	-	-	-	1,804
Balance, Sept. 30, 2023	**$ 195,025**	**$ 71,277**	**$ 2,697,773**	**$ 84,143**	**$ 3,048,218**
Accumulated Depreciation:					
Balance, June 30, 2022	$ (186,099)	$ (70,747)	$ (2,208,627)	$ (76,043)	$ (2,541,516)
Depreciation	(534)	(27)	(24,355)	(579)	(25,495)
Balance, Sept. 30, 2022	(186,633)	(70,774)	(2,232,982)	(76,622)	(2,567,011)
Depreciation	(1,602)	(79)	(73,065)	(1,736)	(76,482)
Balance, June 30, 2023	(188,235)	(70,853)	(2,306,047)	(78,358)	(2,643,493)
Depreciation	(401)	(21)	(19,586)	(579)	(20,587)
Balance, Sept. 30, 2023	**$ (188,636)**	**$ (70,874)**	**$ (2,325,633)**	**$ (78,937)**	**$ (2,664,080)**
Carrying Amounts:					
June 30, 2022	$ 7,122	$ 530	$ 489,146	$ 8,100	$ 504,898
September 30, 2022	$ 6,588	$ 503	$ 464,791	$ 7,521	$ 479,403
June 30, 2023	$ 4,986	$ 424	$ 391,726	$ 5,785	$ 402,921
September 30, 2023	**$ 6,389**	**$ 403**	**$ 372,140**	**$ 5,206**	**$ 384,138**

(Stated in Canadian Dollars)

5. Right of use asset

The Company occupies its operating facility under a lease 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 term of the lease and charged as an element of occupancy costs *(note 11)*. There have been no impairment losses and no remeasurement of the lease liability.

Balance at June 30, 2022	$	656,655
Depreciation recorded as an element of occupancy costs		(41,444)
Balance at September 30, 2022		615,211
Depreciation recorded as an element of occupancy costs		(124,331)
Balance at June 30, 2023		490,880
Depreciation recorded as an element of occupancy costs		(41,444)
Balance at September 30, 2023	**$**	**449,436**

6. Investments

The Company holds a non-controlling interest in Conversance Inc., a private Canadian technology company engaged in the development of its proprietary technology, which has not yet produced any revenues. The timing of such revenues is not currently determinable. The absence of cash flows made it infeasible for the Company to ascertain the value of Conversance Inc. as a going concern in a prior period and 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.

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.

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.

		Sept. 30 2023		June 30 2023
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

		Sept. 30 2023		June 30 2023
Line of credit, which can be drawn to a maximum of $500,000, bears interest at the TD Bank prime lending rate plus 2.5%, is due upon demand, and is secured by a general security agreement covering the assets of PEC.	**$**	**115,000**	$	110,000

(Stated in Canadian Dollars)

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 recorded at the present value of the lease payments, discounted using the Companyôs incremental borrowing rate at the time the lease was extended, of 3.386%. The lease liability is subsequently reduced by lease payments paid and increased by imputed interest as follows:

Balance at June 30, 2022	$	643,567
Lease payments paid during period		(44,138)
Interest imputed		5,214
Balance at September 30, 2022		604,643
Lease payments paid during period		(133,545)
Interest imputed		13,640
Balance at June 30, 2023		484,738
Lease payments paid during period		(45,270)
Interest imputed		3,858
Balance at September 30, 2023		443,326
Less current portion		(171,475)
	$	**271,851**

9. Long-Term Debt

		Sept. 30 2023		June 30 2023
Canadian Emergency Business Account (CEBA) bearing interest at 0% until December 2023 then 5% payable monthly until maturity December 2025. Principal may be repaid, in whole or in part, at any time prior to maturity. If the loan balance is no more than $20,000 on December 31, 2023 the remaining balance will be forgiven. [1]	**$**	**50,000**	$	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.		**168,749**		184,294
		218,749		244,294
Less: current portion		**83,779**		77,454
	$	**134,970**	$	168,840

The minimum annual future principal repayments [1], as at September 30, 2023, are as follows:

2024	$	63,550
2025		65,742
2026		39,457
	$	168,749

[1] Subsequent to the financial reporting date, the Company repaid an additional $30,000 of this loan thereby reducing the balance owing to $20,000. The loan balance will be reduced to zero upon receipt of confirmation that the balance has been forgiven. The future principal payments noted above exclude this loan.

10. Share Capital

Authorized

Unlimited Common shares
Unlimited Preferred shares in one or more series.

(Stated in Canadian Dollars)

10. Share Capital - continued

Issued

	Sept. 30 2023	June 30 2023
Common shares	**$ 24,064,236**	$ 24,064,236

Common shares	**Number of Shares** [1,2]	**Amount**
Balance Sept. 30, 2023, June 30, 2023, Sept. 30, 2022 and June 30, 2022	26,687,196	**$ 24,064,236**

(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) Subsequent to September 30, 2023, the Company issued 4,468,625 common shares in settlement of $357,490 in accounts payable.

Details of warrants outstanding:
No warrants were outstanding at June 30, 2022 or have been issued subsequent to that date.

Details of options outstanding:

	Common Shares Under Option	Weighted Average Price per Option	Weighted Average Expiry Date
Balance, beginning and end of the period	1,275,000	$ 0.10	Mar. 17, 2027

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

	Sept. 30 2023	June 30 2023
Dividend yield	**None Issued**	Nil
Risk free interest rate (%)	**None Issued**	3.243
Expected stock volatility (%)	**None Issued**	135.92
Expected life (years)	**None Issued**	5

The following stock options were outstanding as at September 30, 2023:

	Common Shares Under Option	Number of Options Vested	Exercise Price	Expiry Date
Granted September 30, 2022	175,000 [1]	175,000	$ 0.10	Nov. 1, 2023
Granted September 30, 2022	1,100,000 [2]	1,100,000	$ 0.10	Sep. 30, 2027

(1) These options expired subsequent to the financial reporting date.
(2) Directors and/or Officers of the Company and its subsidiary hold these options.

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:

	Sept. 30 2023	June 30 2023
Contributed surplus, beginning of period	**$ 1,704,197**	$ 1,645,217
Stock options granted [1]	**-**	58,980
Contributed surplus, end of period	**$ 1,704,197**	$ 1,704,197

(1) Due to a computational error, the compensation amount related to these stock options was originally recorded as $35,851 during the period ended September 30, 2022. All comparative amounts at September 30, 2022 have been revised to include this correction.

(Stated in Canadian Dollars)

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 2023**		Sept. 30 2022
Employee and consultant compensation	**$**	**100,133**	$	85,412
Professional fees		**7,886**		7,341
	$	**108,019**	$	92,753
Stock-based compensation	**$**	**-**	$	54,355

On September 30, 2023 there was a balance of $883,182 (June 30, 2023 - $845,052) included in accounts payable and accrued liabilities that was payable to these related parties. Subsequent to September 30, 2023, the Company settled $316,500 owing to related parties, including $310,250 owed at September 30, 2023, through the issuance of 3,956,250 common shares.

12. Selling, general and administrative expenses

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

		Sept. 30 2023		Sept. 30 2022
Employee and consultant compensation *(notes 11 and 16)*	**$**	**261,187**	$	226,464
Occupancy costs *(note 5)*		**84,232**		82,018
Professional fees *(note 11)*		**20,512**		23,841
Shareholder services		**4,518**		12,047
Insurance		**9,042**		9,453
Other		**10,428**		10,434
	$	**389,919**	$	364,257

13. Income Taxes

Current Income Tax

A reconciliation of combined federal and provincial corporate income taxes at the Companyôs effective tax rate of 26.50% (2022 ï 26.50%) is as follows:

		Sept. 30 2023		Sept. 30 2022
Net income (loss) before income taxes	**$**	**252,049**	$	(109,866)
Expected income tax (recovery)	$	**66,793**	$	(29,115)
Amounts not deductible for income tax purposes		**8**		16,298
Temporary timing differences		**213**		12,817
Income tax expense - current	**$**	**67,014**	$	-

(Stated in Canadian Dollars)

13. Income Taxes - continued

Deferred Tax
The following table summarizes the components of deferred tax:

		Sept. 30 2023		Sept. 30 2022
Deferred tax assets: Non-capital losses carried forward	$	**-**	$	4,248
Deferred tax liabilities: Temporary timing differences		**13,151**		(4,248)
Net deferred tax liabilities	**$**	**13,151**	$	-

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 2023		June 30 2023
Share issuance costs	**$**	**985**	$	1,313
Property, plant and equipment		**25,726**		26,445
Resource related expenditures		**349,050**		349,050
Scientific research and experimental development		**1,050,618**		1,050,618
Net capital loss carry-forwards		**2,373,299**		2,312,531
Non-capital loss carry-forwards		**15,592,989**		15,592,989

Share issue costs expire in 2024 and non-capital loss carry-forwards expire as disclosed below. 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 2023		June 30 2023
Long-term debt	**$**	**218,749**	$	244,294
Share Capital		**24,064,236**		24,064,236
Contributed surplus		**1,704,197**		1,704,197
Deficit		**(24,489,138)**		(24,661,022)
Net capital under management	**$**	**1,600,874**	$	1,351,705

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. 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, 2023 or September 30, 2022.

15. Financial risk factors - continued

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 Companyøs revenues during a reporting period. The Company had 3 major customers during the current period, representing 23%, 19%, and 10% of revenues (Sept. 30, 2022 - 4 customers, 12%, 12%, 11% and 10% of revenues). Amounts due from these customers represented 64% of accounts receivable on September 30, 2023 (Sept. 30, 2022 - 36%). The loss of, or significant curtailment of purchases by a major 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, 2023 the Company had current financial assets of $1,586,496 (June 30, 2023 - $1,190,379) available to settle current financial liabilities of $2,769,151 (June 30, 2023 - $2,315,614). 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 Companyøs 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 $504 (Sept. 30, 2022 ï gain of $10,134).

Sensitivity to market risks

At September 30, 2023, the Company had:

- A bank operating loan of which $115,000 was drawn (June 30, 2023 - $110,000) which bears interest predicated upon the TD Bank prime lending rate. An increase of 1% in that prime lending rate would result in a reduction of $1,150 in cash flows over the next 12 months, based on the current loan balance.
- US$104,426 (June 30, 2023 ï US$183,892) 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 $5,221 in future cash inflow.
- US$299,692 (June 30, 2023 ï US$124,491) 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 $14,985 in future cash outflow.

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