ZTEST Electronics Inc.

Managementôs Discussion and Analysis
For The Three Month Period Ended September 30, 2023
(Prepared as at November 28, 2023)

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 three months ended September 30, 2023. The MD&A was prepared as of November 28, 2023 and was approved by the Board of Directors on November 28 2023. It should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the three months ended September 30, 2023, and the audited consolidated financial statements for the year ended June 30, 2023, 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, and assembling printed circuit boards and other electronic equipment. The Companyôs shares trade on the Canadian Securities Exchange under the symbol "ZTE".

The Companyôs management, which has not changed since the most recent fiscal year end, is currently as follows:

Name	Position(s)
Steve Smith	Chairman, President & Chief Executive Officer
Don Beaton	Director (Independent)
K. Michael Guerreiro (1*, 3)	Director (Independent)
Derrick Strickland (1)	Director (Independent)
Dean Tyliakos (1, 2)	Director (Independent)
William R. Johnstone, LLB	Corporate Secretary
Michael D. Kindy, CPA (2)	VP Finance & Chief Financial Officer
Suren Jeyanayagam (2)	President of PEC

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

Corporate Performance

Many of the positive results that were experienced in the second half of the 2023 fiscal year have continued into the first quarter of the 2024 fiscal year. This period represents the third consecutive quarter for which revenues have increased. It also represents he third consecutive quarter, and the fourth of the most recent six, that the Company has been profitable. These results have allowed the Company to continue to add to its working capital and its capital under management while, for the first time in a few periods, current financial assets grew at a faster pace than current financial liabilities.

The only blemish is the continued growth of inventory, which has both positive and negative implications. On the positive, inventory is directly representative of future revenues since it is only acquired once a customer has placed an order, to facilitate production of that order. To the negative, the accumulation of inventory suppresses liquidity measurements since purchasing adds to accounts payable and reduces cash. The Company would vastly prefer to realize those future revenues rather than accumulate inventory but is caught by this continuing byproduct of supply chain disruptions. Until recently this was exclusively attributed to disruptions experienced directly by the Company but thankfully those have been declining in frequency and duration over recent months. Unfortunately, some customers have not been as fortunate, and their disruptions may still result in deferral of the Companyôs production. When the Company becomes aware that a customer is seeking deferral, and can accommodate that customer, the materials required for production remain in inventory. It is expected that the supply chain disruptions will continue to slowly diminish, but the timing as to when inventory levels will decline remains uncertain at this time.

Corporate Performance - continued

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

	For the fiscal years ended:		
	June 2023	June 2022	June 2021
Total Revenues	5,702,239	4,415,275	4,009,460
Net income (loss) for the year	165,274	(266,878)	45,762
Per share - basic	0.006	(0.010)	0.002
Total assets	3,941,742	3,081,924	3,120,759
Total long-term financial liabilities	518,717	729,032	948,791
Total liabilities	2,834,331	2,198,767	2,116,323

	For the fiscal quarters ended:			
	Sept. 2023	June 2023	Mar. 2023	Dec. 2022
Total Revenues	1,879,486	1,797,424	1,594,507	1,141,352
Net income (loss) for the period	171,884	172,983	191,154	(112,126)
Per share - basic	0.006	0.006	0.007	(0.004)
Total assets	4,504,461	3,941,742	4,000,133	3,206,695
Total long-term financial liabilities	456,015	518,717	556,678	614,619
Total liabilities	3,225,166	2,834,331	3,088,834	2,486,550

	For the fiscal quarters ended:			
	Sept. 2022	June 2022	Mar. 2022	Dec. 2021
Total Revenues	1,168,956	1,677,062	1,326,227	781,865
Net income (loss) for the period	(86,737)	114,966	(20,894)	(191,338)
Per share - basic	(0.003)	0.004	(0.001)	(0.008)
Total assets	3,325,446	3,081,924	3,309,755	2,996,924
Total long-term financial liabilities	672,075	729,032	755,507	840,415
Total liabilities	2,493,175	2,198,767	2,541,563	2,207,838

No cash dividends were declared or paid during any of the periods noted above.

Results of Operations

Revenues during the first quarter of 2024 were up almost 61% year-over-year, marking the seventh consecutive quarter for which there has been year over year improvement. It is uncertain how long this tend may continue but, based on inventory accumulation and the Companyφs order backlog, revenues are expected to remain strong for at least the next couple of periods.

Whenever revenues rise it is generally anticipated that margins will improve due to the realization of certain economies of scale. Gross margins more than doubled in comparison to Q1 2023, winding up at $649,880 or 34.6% of revenues. During Q1 2023 the gross margin equated to 26.7% of revenues and for the 2023 fiscal year they were 30.5%. Gross margins are impacted by many factors including, but not limited to, production volumes, product mix, and order sizes. As a result of these many factors, margins will vary from period to period. The different elements of cost of product sales for the periods ended September 30, and the changes realized, were as follows:

Three month periods ended September 30	2023	2022	Change
Raw materials and supplies consumed	$ 940,832	$ 597,175	$ 343,657
Labour costs incurred	270,417	202,289	68,128
Depreciation	19,586	24,355	(4,769)
Other costs	51,376	41,117	10,259
Net change in finished goods and work in process	(52,605)	(8,214)	(44,391)
Total cost of product sales	$ 1,229,606	$ 856,722	$ 372,884

Results of Operations - continued

The cost of raw materials and supplies consumed rose 57.5%, or less than the 60.8% that revenues rose in the same period. This slight loss of correlation in the figures is due to product mix and to the fact that the value of materials and labour required differs from one product to the next. Product mix, or the relative volumes of production for which either the customers or the Company supply all raw materials and supplies, fluctuates from period to period. Also, as a contract manufacturer, each product produced by the Company has a unique mix of required materials and the amount of labour required to complete the manufacturing process. These variances arise, and are expected, on a continuous basis and results are within management expectations.

Labour costs incurred have risen for the fourth consecutive quarter and more than 33% year-over-year. This increase is a by-product of increased labour capacity, increased overtime, and increased pay rates. It stands to reason that when revenues grow by more than 60% labour demand must have increased and this was true in Q1 2024 as there were additions to production personnel and increases in overtime to facilitate production. To add to this, pay rates also increased by more than the historical norm. Annual wage increases take effect January 1 each year however the impact of the January 2023 increase was magnified because of the 3.3% increase in minimum wage that took place October 2022. Increases in minimum wage tend to have a ripple effect throughout the wage base and also raise that base before annual increases take effect. Minimum wage increased again October 2023, this time by 6.8%, and is bound to have an impact on future labour costs.

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. Net labour costs for the recent quarter equated to $217,812 as compared to $194,075 the year prior representing an increase of 12.2%, which was lower than anticipated. It was determined that Q1 2023 included 100% of the costs related to an individual that had recently transitioned from production to administration and was now classified as administrative. Had those costs been reclassified in Q1 2023 then the current year increase would have been consistent with expectations.

Depreciation costs have declined, in line with expectations. The most recent significant asset acquisition was put into service at the start of the 2022 fiscal year, adding to depreciation in the 2022 and 2023 fiscal years, after which those charges start to decline. The Company continuously monitors its equipment needs and will complete acquisitions when deemed prudent. Until such time as the next significant acquisition occurs it should be expected that depreciation charges will continue to decline each year.

Other costs include repairs and maintenance, stencils and tooling, packaging, and freight costs net of any amounts recovered. Each of these costs is incurred on an as-warranted basis and are closely monitored. Each has risen in the current period but remain within the Companyôs expectations.

Selling, general and administrative expenses, and the changes realized, were as follows:

Three month periods ended September 30	2023	2022	Change
Employee and consultant compensation	$ 261,187	$ 226,464	$ 34,723
Occupancy costs	84,232	82,018	2,214
Professional fees	20,512	23,841	(3,329)
Shareholder services	4,518	12,047	(7,529)
Insurance	9,042	9,453	(411)
Other costs	10,428	10,434	(6)
Total selling, general and administrative	$ 389,919	$ 364,257	$ 25,662

Employee and consultant compensation costs, which include salaries, benefits, consulting fees, and independent directorsô fees were highly comparable year over year except for the impact of annual increases and performance bonuses based on the profitability of Permatech.

Results of Operations - continued

The Companyôs current facilities lease took effect April 1, 2021 and resulted in the recognition, and amortization, of a right of use asset. This asset is subject to amortization charges which remain consistent over the term of the lease and represent a significant element of occupancy costs for each of the periods presented. Minor fluctuations result from variable demand and rates applicable for utilities and variances in common area maintenance charges. It is anticipated that occupancy costs will remain relatively comparable from period to period until the current lease expires in March 2026.

Professional fees are comprised of fees for legal services as well as the costs related to the annual financial statement audit and filing of annual tax returns. There has been an overall decline in costs resulting from changes in each of these components. Legal fees declined in the current period, primarily as a result of the fees related to the shareholders meeting held September 30, 2022 did not recur. Actual audit costs have remained consistent year to year however in Q1 2023 it was determined that the 2022 fee accrual had been inadequate so an adjustment was recorded. Costs related to the filing of annual tax returns have also remained consistent however those filings were completed in Q1 2024 as opposed to Q2 of 2023.

Shareholder services declined in the current period, again because of the non-recurrence of expenses related to the shareholder meeting held September 30, 2022.

Insurance costs reflect minor premium reductions realized upon the most recent renewal of business insurance. There has been no alteration in the nature of the any insurance coverages that that Company maintains.

Other costs are closely monitored, are within management expectations, and are consistent from period to period.

The Companyôs cost of borrowing, and the changes realized, were as follows:

Three month periods ended September 30	2023	2022	Change
Interest expense ï long term	$ 1,495	$ 2,017	$ (522)
Interest expense ï other	2,062	627	1,435
Interest expense ï lease liability	3,858	5,214	(1,356)
Total financing expenses	$ 7,415	$ 7,858	$ (443)

The Company initiated new term financing in April 2021 in relation to the acquisition of new equipment and has been making all regular monthly payments. The reduction in interest costs is reflective of the declining balance of the loan. The interest rate on this loan is fixed so related interest costs will continue to decline until the loan reaches maturity April 2026.

Interest expense ï other represents interest arising from the use of the Companyôs operating line as well as miscellaneous interest charges incurred. The Company made use of its operating line at various times throughout the 2023 fiscal period as well as briefly during the 2022 fiscal period. Interest on this operating line is predicated upon the prime lending rate, which has been rising, contributing to higher interest costs. The prime lending rate was 7.2% on September 30, 2023 and averaged 7.17% for the quarter while on September 30, 2022 the rate was 5.45% and had averaged 4.75% for that quarter.

The Companyôs lease extension for its operating facility commenced April 1, 2021 and resulted in the recognition and amortization of a right-of-use asset and the recognition of a lease liability. That lease liability then gives rise to imputed interest costs, based on the discount rate, over the term of the lease. The imputed interest costs will continue to decline until the lease liability expires March 31, 2026.

Liquidity

At September 30, 2023, the Company had working capital of $918,367 (June 30, 2023 ï $732,326) and current financial assets of $1,586,496 (June 30, 2023 ï $1,190,379) available to settle current financial liabilities of $2,776,561 (June 30, 2023 ï $2,315,614). After September 30, 2023, the Company issued 4,468,625 common shares in settlement of $357,490 in current financial liabilities, including $351,240 recognized to September 30, 2023.

Liquidity -continued

The Company also has access to a $500,000 bank operating line, of which $115,000 (June 30, 2023 ï $110,000) had been drawn as of September 30, 2023.

In addition to satisfying the cost of operations the Company must also address the settlement of the following amounts at September 30, 2023 [(1)]:

	Due by Sept. 2024	Due by Sept. 2025	Due by Sept. 2026	Due after Sept. 2026	Total Due
Term loan	$ 63,550	$ 65,742	$ 39,457	$ -	$ 168,749
Lease liability	171,475	179,698	92,153	-	443,326
	$ 249,559	$ 265,685	$ 136,831	$ -	$ 652,075

(1) On September 30, 2023 the Company had a balance of $50,000 remaining on its CEBA obligation. Since that date, the Company has repaid a further $30,000 making the balance $20,000 as of the date of this document. The Company is awaiting confirmation that the remaining balance is being forgiven.

Capital Resources

The Company has a $500,000 commercial line of credit from which $115,000 (June 2023 - $110,000) was drawn as at September 30, 2023. 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 a term loan, the proceeds of which were used to purchase equipment. The loan was funded April 2021 in the amount of $313,748 and $168,749 remains payable at September 30, 2023. The loan bears interest at 3.386%, requires monthly payments of $5,691 blended as to principal and interest, and will mature April 2026.

The Company had a Canadian Emergency Business Account (CEBA) with a balance of $50,000 (June 2023 - $60,000) at September 30, 2023. The balance may be repaid, in whole or in part, at any time and if the CEBA balance is no more than $20,000 on December 31, 2023, the balance will be forgiven. The Company repaid $30,000 after September 2023 and is currently awaiting confirmation that the balance is being forgiven.

The Company has not completed any financing transactions or issued any securities between June 30, 2023 and September 30, 2023, however, in November 2023 the Company issued 4,468,625 common shares in settlement of $357,490 in accounts payable, including $316,500 that was owed to related parties.

Related Party Transactions

The Company had transactions during the periods with key management personnel. 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 Suren Jeyanayagam as an officer of PEC in 2023 and to John Perreault as an officer of PEC in 2022, legal fees paid to a legal firm in which William R. Johnstone (Corporate Secretary) is a partner, 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:

Three month periods ended September 30	2023	2022
Consulting fees [(1)]	$ 36,000	$ 36,000
Directorsô fees [(1)]	15,000	15,750
Salaries and benefits [(1)]	49,133	33,662
Legal fees [(2)]	2,386	7,341
Accounting fees [(2)]	5,500	-
Cash based expenditures	$ 108,019	$ 92,753
Share-based payments	$ -	$ 54,355

Related Party Transactions - continued

(1) Reported in the consolidated financial statements as an element of employee and consultant compensation.
(2) Reported in the consolidated financial statements as an element of professional fees.

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

	2023	2022
Consulting fees payable (3)	$ 641,055	$ 524,176
Directorsô fees payable (3)	$ 162,160	$ 149,490
Salaries and benefits payable	$ 38,468	$ 5,080
Legal fees payable	$ 35,999	$ 45,305
Accounting fees payable	$ 5,500	$ -

(3) In November 2023, the Company issued 3,956,250 common shares in settlement of $316,500, including $310,250 included herein.

The following stock options have been issued to Directors and/or Officers of the Company and its subsidiary and were outstanding as at September 20, 2023 and as at the date of this document:

Description	Expiry Date	Number of Common Shares
Stock options @ $0.10 per share	Sep. 30, 2027	1,100,000

Convertible Instruments and Other Securities

The Company has the following securities issued and outstanding:

Shares issued	Quantity	Amount
Common shares at September 30, 2023	26,687,196	$24,064,236
Common shares issued in settlement of accounts payable	4,468,625	357,490
Common shares as at the date of this document	31,155,821	$24,421,726

In addition to the shares issued and outstanding, the Company has issued stock options as incentives to various parties. The following list itemizes the common shares that have been reserved to satisfy the exercise of warrants and options:

Common shares reserved	Expiry Date	Number of Common Shares
To be issued for Class A shares (1)		8,246
Stock options @ $0.10 per share	Nov. 2023	175,000
Stock options @ $0.10 per share	Sep. 2027	1,100,000
Shares reserved at September 30, 2023		1,283,246
Stock options expired		(175,000)
Shares reserved as at the date of this document		1,108,246

(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.

Fully diluted number of shares	Quantity
Shares issued at September 30, 2023	26,687,196
Shares reserved at September 30, 2023	1,283,246
Fully diluted position September 30, 2023	27,970,442

Convertible Instruments and Other Securities - continued

Fully diluted number of shares - continued	Quantity
Fully diluted position September 30, 2023	27,970,442
Common shares issued in settlement of accounts payable	4,468,625
Change in reserved shares	(175,000)
Fully diluted as at the date of this document	32,264,067

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, 2023 and September 30, 2023	1,275,000	$	0.10	Mar. 17, 2027
Expired after September 30, 2023	(175,000)		0.10	Nov. 1, 2023
Balance as at the date of this document	1,100,000	$	0.10	Sep. 30, 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**	3.24%
Expected stock volatility (%)	**None issued**	135.92
Expected life (years)	**None issued**	5

The following stock options are outstanding as at the date of this document:

	Common Shares Under Option	Number of Options Vested		Exercise Price	Expiry Date
Granted September 30, 2023	1,100,000 (1)	1,100,000	$	0.10	Sep. 30, 2027

(1) Directors and/or Officers of the Company and its subsidiary hold these options.

The Company has no ability to cause these options to be exercised.

No share purchase warrants were issued during the periods presented and there were no warrants outstanding at June 30, 2023, September 30, 2023 or as at the date of this document.

Financial instruments

The Companyôs 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
Deferred taxes	Amortized cost

Financial instruments - continued

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.

Where such an indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. The recoverable amount is the higher of an assetõs 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 armõs 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.

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 previous fiscal periods.

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 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**.**

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. 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 $2,703,514 (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 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, 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).

Risk Factors - continued

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.

Forward-looking Information

Certain statements in this MD&A may constitute ñforward-lookingò statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and its subsidiary, or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this report, the words 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, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained in this MD&A speak only as of the date hereof. The Company does not undertake or assume any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.