

ZTEST ELECTRONICS INC.

523 McNicoll Avenue
North York, ON M2H 2C9

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders (the “**Meeting**”) of ZTEST Electronics Inc. (“**ZTEST**” or the “**Corporation**”) will be held at the offices of the Corporation at **523 McNicoll Avenue, North York, Ontario, M2H 2C9, at the hour of 1:00 o'clock in the afternoon (Toronto time), on Tuesday, the 9th day of December, 2014**, for the following purposes:

1. to elect the directors as nominated by Management;
2. to appoint MNP LLP, Chartered Accountants, as auditors of the Corporation for the ensuing year and to authorize the directors to fix their remuneration; and
3. to transact such further and other business as may properly come before the said Meeting or any adjournment of adjournments thereof.

A copy of the Management Information Circular (the “**Circular**”), the Audited Financial Statements of the Corporation for the years ended June 30, 2014 and 2013 and the Management Discussion and Analysis for the year ended June 30, 2014 accompany this Notice of Meeting.

Shareholders entitled to vote who do not expect to be present at the Meeting are urged to date, sign and return the form of Proxy or voting instruction form delivered to them with the Notice-and-Access Notification (defined below).

NOTICE-AND-ACCESS

Notice is also hereby given that ZTEST has decided to use the notice-and-access method of delivery of meeting materials for the 2014 Annual General Meeting of Shareholders. The notice-and-access method of delivery of meeting materials allows the Corporation to deliver the meeting materials over the internet in accordance with the notice-and-access rules adopted by the Ontario Securities Commission under National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*. Under the notice-and-access system, shareholders still receive a proxy or voting instruction form (as applicable) enabling them to vote at the Meeting. However, instead of a paper copy of the Circular, the annual financial statements and related management’s discussion and analysis and other meeting materials (collectively the “**Meeting Materials**”), shareholders receive a notification (the “**Notice-and-Access Notification**”) with information on how they may access such materials electronically. The use of this alternative means of delivery is more environmentally friendly as it will help reduce paper use and will also reduce the cost of printing and mailing materials to shareholders. **Shareholders are reminded to view the Meeting Materials prior to voting.**

Websites Where Meeting Materials Are Posted:

Meeting Materials can be viewed online under the Corporation's profile at www.sedar.com or on the Corporation's website at www.ztest.com.

How to Obtain Paper Copies of the Meeting Materials

Registered holders or non-registered holders may request paper copies of the Meeting Materials be sent to them by postal delivery at no cost to them. Requests may be made up to one year from the date the Meeting Materials are posted on the Corporation's website. In order to receive a paper copy of the Meeting Materials or if you have questions concerning Notice-and-Access, please call Equity Financial Trust Company toll free at 1-866-393-4891 in North America or 416-361-0152 (outside North America).

Requests should be received by 1:00 p.m. on Friday, November 28, 2014 in order to receive the Meeting Materials in advance of the Meeting.

RECORD DATE AND PROXY DELIVERY DATE

The Board of Directors of the Corporation has, by resolution, fixed the close of business on October 30, 2014 as the Record Date, being the date for determination of the registered holders of Common Shares entitled to receive notice of, and to vote at, the Meeting or any adjournment thereof.

The Board of Directors of the Corporation has, by resolution, fixed the hour of 1:00 p.m. in the afternoon (Toronto time) on Friday, December 5, 2014, being not less than 48 hours, excluding Saturdays, Sundays and statutory holidays, preceding the day of the Meeting, or any adjournment thereof, as the time before which the instrument of proxy to be used at the Meeting must be deposited with the Transfer Agent of the Corporation, Equity Financial Trust Company, Suite 300, 200 University Avenue, Toronto, Ontario, M5H 4H1, provided that a proxy may be delivered to the Chairman of the Meeting on the day of the Meeting or any adjournment thereof prior to the time for voting to revoke a proxy previously delivered in accordance with the foregoing.

Shareholders entitled to vote who do not expect to be present at the Meeting are urged to date, sign and return the form of proxy or voting instruction form delivered to them with the Notice-and-Access Notification.

DATED the 30th day of October, 2014.

**BY ORDER OF THE
BOARD OF DIRECTORS**

"Wojciech Drzazga"

WOJCIECH (TED) DRZAZGA
Chief Executive Officer

**ZTEST ELECTRONICS INC.
523 McNICOLL AVENUE
NORTH YORK, ONTARIO
M2H 2C9**

**INFORMATION CIRCULAR
MANAGEMENT SOLICITATION**

SOLICITATION OF PROXIES

This Management Information Circular (the “Circular”) is furnished in connection with the solicitation of proxies by and on behalf of the management (the “Management”) of ZTEST Electronics Inc. (the “Corporation”) for use at the Annual General Meeting of Shareholders (the “Meeting”) of the Corporation to be held at the offices of the Corporation located at 523 McNicoll Avenue, North York, Ontario, M2H 2C9, at the hour of 1:00 o’clock in the afternoon (Toronto time), on Tuesday, the 9th day of December, 2014, for the purposes set out in the accompanying Notice of Meeting. The cost of solicitation will be borne by the Corporation.

Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally by the Directors and/or officers of the Corporation at nominal cost. Arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the common shares (“**Common Shares**”) held of record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in doing so. The costs thereof will be borne by the Corporation.

NOTICE-AND-ACCESS

The Corporation has elected to use the “notice-and-access” process that came into effect on February 11, 2013 under National Instrument 54-101 *Communications with Beneficial Owners of Securities of a Reporting Issuer* (“**NI-54-101**”) and National Instrument 51-102 *Continuous Disclosure Obligations*, for distribution of this Circular and other meeting materials to registered Shareholders of the Corporation and non-registered Shareholders of the Corporation as set out in the “Advice to Non-Registered Shareholders” section below.

Notice-and-access allows issuers to post electronic versions of meeting materials, including circulars, annual financial statements and management discussion and analysis, online, via SEDAR and one other website, rather than mailing paper copies of such meeting materials to Shareholders. Notice-and-access may be used by issuers in respect of meetings that occur on or after March 1, 2013. The Corporation anticipates that utilizing the notice-and-access process will substantially reduce both postage and printing costs.

The Corporation has posted the Circular, the Corporation’s audited financial statements for the years ended June 30, 2014 and 2013 (the “**Annual Financial Statements**”) and the Corporation’s management discussion and analysis for the year ended June 30, 2014 (the “**Annual MD&A**”) on the website, www.ztest.com.

Although the Circular, Annual Financial Statements and Annual MD&A (collectively, the “**Meeting Materials**”) will be posted electronically online, as noted above, the registered and non-registered Shareholders (subject to the provisions set out below under the heading “Advice to Non-Registered Shareholders”) (collectively the “**Notice-and-Access Shareholders**”) will receive a “notice package” (the “**Notice-and-Access Notification**”), by prepaid mail, which includes the information prescribed by NI 54-101, and a proxy form or voting instruction form from their respective intermediaries. Notice-and-Access Shareholders should follow the instructions for completion and delivery contained in the proxy or voting instruction form. Notice-and-Access Shareholders are reminded to review the Circular before voting.

Notice-and-Access Shareholders will not receive a paper copy of the Meeting Materials unless they contact Equity Financial Trust Company in which case Equity Financial Trust Company will mail the requested materials within three business days of any request provided the request is made prior to the Meeting. Notice-and-Access Shareholders with questions about notice-and-access may contact Equity Financial Trust Company toll free at 1-866-393-4891 or the Corporation’s investor relations department by e-mail at info@ztest.com.com. **Requests for**

paper copies of the Meeting Materials must be received at least five (5) business days in advance of the proxy deposit date and time set out below, being 1:00 p.m. on, Friday, November 28, 2014, in order to receive the Meeting Materials in advance of the proxy deposit date and Meeting.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the form of proxy or voting instruction form are officers or Directors of the Corporation (the “**Management Designees**”). **A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON, WHO NEED NOT BE A SHAREHOLDER OF THE CORPORATION, TO REPRESENT HIM OR HER AT THE MEETING MAY DO SO** by inserting such other person’s name in the blank space provided in the form of proxy or voting instruction form and depositing the completed proxy with the Transfer Agent of the Corporation, **Equity Financial Trust Company, 200 University Avenue, Suite 300, Toronto, Ontario, M5H 4H1**. A proxy can be executed by the Shareholder or his attorney duly authorized in writing, or, if the Shareholder is a corporation, under its corporate seal by an officer or attorney thereof duly authorized.

In addition to any other manner permitted by law, the proxy may be revoked before it is exercised by instrument in writing executed and delivered in the same manner as the proxy at any time up to and including the second last business day preceding the day of the Meeting or any adjournment thereof at which the proxy is to be used or delivered to the Chairman of the Meeting on the day of the Meeting or any adjournment thereof prior to the time of voting and upon either such occurrence, the proxy is revoked.

Please note that Shareholders who receive their Notice-and-Access Notification from Broadridge Investor Communication Solutions, Canada (“**Broadridge**”) or an Intermediary (as defined in the “Advice to Non-Registered Shareholders” section below) must return the proxy forms, once voted, to Broadridge or their Intermediary, as applicable, for the proxy to be dealt with.

DEPOSIT OF PROXY

By resolution of the Directors duly passed, **ALL PROXIES TO BE USED AT THE MEETING MUST BE DEPOSITED BY 1:00 P.M. (TORONTO TIME) ON FRIDAY, DECEMBER 5, 2014, BEING NOT LESS THAN 48 HOURS, EXCLUDING SATURDAYS, SUNDAYS AND STATUTORY HOLIDAYS, PRECEDING THE DATE OF THE MEETING, OR ANY ADJOURNMENT THEREOF, WITH THE TRANSFER AGENT OF THE CORPORATION, EQUITY FINANCIAL TRUST COMPANY**, provided that a proxy may be delivered to the Chairman of the Meeting on the day of the Meeting or any adjournment thereof prior to the time for voting to revoke a proxy previously delivered in accordance with the foregoing.

ADVICE TO NON-REGISTERED SHAREHOLDERS

Only registered Shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting. However, in many cases, Common Shares owned by a person are registered either (a) in the name of an intermediary (an “**Intermediary**”) that the non-registered holder deals with in respect of the Common Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered registered savings plans, registered retirement income funds, registered education savings plans and similar plans); or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited (“**CDS**”)) of which the Intermediary is a participant (a “**Non-Registered Holder**”).

The Corporation has decided to use Notice-and-Access in accordance with the requirement of NI 54-101 to deliver the Meeting Materials to Shareholders by posting the Meeting Materials on its website www.ztest.com. The Meeting Materials will be available on the Corporation’s website on or before **November 7, 2014**, and will remain on the website for a full year thereafter. The Meeting Materials will also be available on the Corporation’s profile on SEDAR at www.sedar.com. The Corporation will only be mailing the Notice-and-Access Notification to Non-Registered Holders as set out below.

Non-Registered Holders fall into two categories – those who object to their identity being made known to the issuers of securities which they own (“**Objecting Beneficial Owners**” or “**OBOs**”) and those who do not object to their identity being made known to the issuers of the securities they own (“**Non-Objecting Beneficial Owners**” or “**NOBOs**”). Subject to the provisions of NI 54-101, issuers may request and obtain a list of their NOBOs from Intermediaries via their transfer agent. Pursuant to NI 54-101, issuers may obtain and use the NOBO list for distribution of proxy-related materials directly to such NOBOs.

If you are a Non-Objecting Beneficial Owner and the Corporation or its agent has sent the Notice-and-Access Notification directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding on your behalf. By choosing to send these materials to you directly, the Corporation (and not the Intermediary holding on your behalf) has assumed responsibility for: (i) delivering these materials to you, and (ii) executing your proper voting instructions as specified in the request for voting instructions.

The Corporation’s decision to deliver proxy-related materials directly to its NOBOs will result in all NOBOs receiving a Voting Instruction Form (“**VIF**”) from Equity Financial Trust Company. Please complete and return the VIF to Equity Financial Trust Company in the envelope provided or by facsimile. In addition, instructions in respect of the procedure for internet voting can be found in the VIF. Equity Financial Trust Company will tabulate the results of the VIFs received from NOBOs and will provide appropriate instructions at the Meeting with respect to the Common Shares represented by the VIFs received by Equity Financial Trust Company. For purposes of the Meeting, NOBOs who deliver VIFs in accordance with the instructions on the VIF will be otherwise treated the same as registered Shareholders.

OBOs may expect to receive their materials related to the Meeting from Broadridge or other Intermediaries. If a reporting issuer does not intend to pay for an Intermediary to deliver materials to OBOs, OBOs will not receive the materials unless their Intermediary assumes the cost of delivery. The Corporation does not intend to pay for Intermediaries to deliver the proxy-related materials to OBOs.

Intermediaries are required to forward the Notice-and-Access Notification to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often, Intermediaries will use service companies such as Broadridge to forward the Notice-and-Access Notification to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive Notice-and-Access Notification will either:

- a) be given a form of proxy which has already been signed by the Intermediary (typically by a facsimile stamped signature), which is restricted as to the number and class of securities beneficially owned by the Non-Registered Holder but which is not otherwise completed. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Holder when submitting the proxy. In this case, the Non-Registered Holder who wishes to vote by proxy should otherwise properly complete the form of proxy and deliver it as specified; or
- b) be given a form of proxy which is not signed by the Intermediary and which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary or its service company, will constitute voting instructions (often called a “**Voting Instruction Form**”) which the Intermediary must follow. Typically the Non-Registered Holder will also be given a page of instructions which contains a removable label containing a bar code and other information. In order for the form of proxy to validly constitute a Voting Instruction Form, the Non-Registered Holder must remove the label from the instructions and affix it to the Voting Instruction Form, properly complete and sign the Voting Instruction Form and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company.

In any case, the purpose of this procedure is to permit Non-Registered Holders including NOBOs to direct the voting of the Common Shares they beneficially own. Should a Non-Registered Holder who receives a form of proxy, VIF or Voting Instruction Form wish to vote at the Meeting in person, the Non-Registered Holder should strike out the

persons named in such form of proxy and insert the Non-Registered Holder's name in the blank space provided. Non-Registered Holders should carefully follow the instructions on the VIF or the instructions received from their Intermediary including those regarding when and where the form of proxy, VIF or Voting Instruction Form is to be delivered.

All references to Shareholders in this Circular, the accompanying Notice of Meeting and any proxy or voting instruction form sent to Shareholders with the Notice-and-Access Notification are to Shareholders of record unless specifically stated otherwise.

EXERCISE OF DISCRETION BY PROXIES

The persons named in the form of proxy or voting instruction form for use at the Meeting will vote the Common Shares in respect of which they are appointed in accordance with the directions of the Shareholders appointing them. **IN THE ABSENCE OF SUCH DIRECTIONS, SUCH SHARES SHALL BE VOTED "FOR":**

- (a) the election of the Directors as nominated by Management;
- (b) the appointment of MNP LLP, Chartered Accountants, as auditors of the Corporation for the ensuing year and authorizing the Directors to fix their remuneration; and
- (c) to transact such further or other business as may properly come before the said meeting or any adjournment or adjournments thereof.

ALL AS MORE PARTICULARLY DESCRIBED IN THIS CIRCULAR.

The form of proxy or voting instruction form confers discretionary authority upon the persons named therein with respect to any amendment, variation or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting. **HOWEVER, IF ANY SUCH AMENDMENTS, VARIATIONS OR OTHER MATTERS WHICH ARE NOT NOW KNOWN TO THE MANAGEMENT DESIGNEES SHOULD PROPERLY COME BEFORE THE MEETING, THE COMMON SHARES REPRESENTED BY THE PROXIES HEREBY SOLICITED WILL BE VOTED THEREON IN ACCORDANCE WITH THE BEST JUDGMENT OF THE PERSON OR PERSONS VOTING SUCH PROXIES.**

EFFECTIVE DATE

The effective date of the Circular is October 30, 2014.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

Each Shareholder of record will be entitled to one (1) vote for each Common Share held at the Meeting.

Holders of record of the Common Shares of the Corporation on October 30, 2014 (the "**Record Date**") will be entitled either to attend and vote at the Meeting in person shares held by them or, provided a completed and executed proxy shall have been delivered to the Corporation as described herein, to attend and vote thereat by proxy the shares held by them.

The authorized capital of the Corporation presently consists of an unlimited number of Common Shares, of which 10,648,696 Common Shares are issued and outstanding as fully paid and non-assessable, each of which carries one (1) vote, 166,667 Series A First Preferred Shares and 288,858 Series C Preferred Shares. The Series A First Preferred Shares and the Series C First Preferred Shares are entitled to vote at the Meeting as the Corporation is in arrears of dividends for a period in excess of twelve (12) months on each of these classes of shares. As a result, a

total of 11,104,221 shares are eligible to vote at the Meeting as of the Record Date.

The Common Shares of the Corporation are listed on the TSX Venture Exchange (the “TSXV”), as a Tier 2 company, under the symbol “ZTE”.

To the knowledge of the Directors and senior officers of the Corporation, there are no parties who beneficially own, directly or indirectly, or exercise control or direction over 10% or more of any class of outstanding voting securities of the Corporation other than as follows:

Name of Shareholder	Number of Shares	Percentage of Class	Percentage of Voting Shares
J.T. Risty Limited	1,745,790 Common Shares	16.39	15.72
Arn Schoch ⁽¹⁾	1,695,000 Common Shares	15.92	15.26

Note:

(1) Mr. Schoch passed away on April 27, 2014.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

None of the Directors or executive officers of the Corporation, no proposed nominee for election as a Director of the Corporation, none of the persons who have been Directors or executive officers of the Corporation since the commencement of the Corporation’s last completed financial year, and no associate or affiliate of any of the foregoing has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting other than the election of Directors and the appointment of officers except as disclosed herein.

EXECUTIVE COMPENSATION

The information contained below is provided as required under Form 51-102F6 for Venture Issuers (the “Form”) as such term is defined in National Instrument 51-102.

Compensation Discussion and Analysis

This Compensation Discussion and Analysis provides information about the Corporation’s executive compensation objectives and processes and discusses compensation decisions relating to its named executive officers (“**Named Executive Officers**”) listed in the Summary Compensation Table that follows. During its fiscal year ended June 30, 2014, the following individuals were Named Executive Officers (as determined by applicable securities legislation) of the Corporation:

- Wojciech Drzazga, Chairman and Chief Executive Officer; and
- Mike Kindy, CPA, CA, Chief Financial Officer and V.P. Finance

The Corporation does not employ or retain any other individuals who would qualify as a “Named Executive Officer” because no executive officer or employee of the Corporation receives total compensation (including without limitation salary and bonus) in excess of \$150,000.

The Corporation’s Compensation Committee, which is comprised of two independent Directors of the Corporation, being K. Michael Guerreiro and Mike Hiscott, is responsible for the compensation program for the Corporation’s Named Executive Officers.

Compensation Objectives and Principles

The Corporation is a manufacturing company with operations located in Ontario. The Corporation has limited revenue and financial resources. As a result, to ensure that funds are available for operations, the Compensation Committee has to consider not only the financial situation of the Corporation at the time of the determination of executive compensation, but also the estimated financial condition of the Corporation in the future.

Since the preservation of cash is an important goal of the Corporation, an important element of the compensation awarded to the Named Executive Officers is the granting of stock options, which do not require cash disbursement by the Corporation. The granting of stock options also helps to align the interests of the Named Executive Officers with the interests of the Corporation. The other two elements of the compensation the Corporation awards to its Named Executive Officers are: (i) base cash salary and/or consulting fees; and (ii) cash bonus payments for achievement of stated milestones or benchmarks. The Corporation does not provide its Named Executive Officers with perquisites or personal benefits that are not otherwise available to all of its employees.

Compensation Processes and Goals

The deliberations of the Compensation Committee are conducted in a special session from which management is absent. These deliberations are intended to advance the key objectives of the compensation program for the Corporation's Named Executive Officers. At the request of the Compensation Committee, the Named Executive Officers may, from time to time, provide advice to the Compensation Committee with respect to the compensation program for the Corporation's Named Executive Officers. The Compensation Committee makes recommendations regarding the compensation to be awarded to the Named Executive Officers to the full Board of Directors (either on its own volition or based upon the advice it receives from the Named Executive Officers).

The Corporation relies on its Compensation Committee and its Board of Directors, through discussion without any formal objectives, targets, criteria or analysis, in determining the compensation of its Named Executive Officers. The Board of Directors is responsible for determining all forms of compensation, including the provision of long-term incentives through the granting of stock options to the Named Executive Officers of the Corporation, and to others, including, without limitation, to the Corporation's Directors, and for reviewing the Compensation Committee's recommendations regarding the compensation to be awarded to any other officers of the Corporation from time to time, to ensure such arrangements reflect the responsibilities and risks associated with each such officer's position. The Board of Directors incorporates the following goals when it makes its compensation decisions with respect to the Corporation's Named Executive Officers : (i) the recruiting and retaining of executives who are critical both to the success of the Corporation and to the enhancement of Shareholder value; (ii) the provision of fair and competitive compensation; (iii) the balancing of the interests of Management with the interests of the Corporation's Shareholders; (iv) the rewarding of performance, both on an individual basis and with respect to the operations of the Corporation as a whole; and (v) the preservation of available financial resources.

The Implementation of the Corporation's Compensation Policies

Base Employment/Consulting Fee

Up to December 31, 2013, the Corporation was contractually obligated to pay the Chief Executive Officer a base salary of \$98,000 per annum. Effective January 1, 2014, the base salary was increased to \$107,800 per annum. This amount was agreed upon between the Chief Executive Officer and the Corporation taking into account the following considerations:

- the Chief Executive Officer's public company and regulatory experience gained through his involvement with the Corporation;
- the total number of years of the Chief Executive Officer's relevant experience; and
- the financing raised by the Corporation while the Chief Executive Officer has been in office.

The payment of this salary was not dependent on the Chief Executive Officer's fulfillment of any specific performance goals or similar criteria.

During the year ended June 30, 2014, the Corporation paid the Chief Financial Officer a consulting fee at a per hour rate based upon the number of hours of service provided by the Chief Financial Officer. This amount was agreed upon between the Chief Financial Officer and the Corporation taking into account the following considerations:

- the Chief Financial Officer's prior public company and specialized financial reporting experience gained through his senior financial management roles at a number of public mineral exploration and mining companies;
- the Chief Financial Officer's experience as a Chartered Professional Accountant and Chartered Accountant for over 20 years; and
- the Chief Financial Officer's previous record of success with junior public companies in creating value for Shareholders.

The payment of this consulting fee was not dependent on the Chief Financial Officer's fulfillment of any specific performance goals or similar criteria.

Stock Options

The granting of options to the Named Executive Officers under the Corporation's Stock Option Plan provides an appropriate long-term incentive to management to create Shareholder value. The number of options the Corporation grants to each Named Executive Officer reasonably reflects the Named Executive Officer's specific contribution to the Corporation in the execution of such person's responsibilities. However, the number of options granted does not depend upon nor does it reflect the fulfillment of any specific performance goals or similar conditions. Previous grants of options to Named Executive Officers are taken into consideration by the Compensation Committee in developing its recommendations with respect to the granting of new options. 175,000 options were granted to the Named Executive Officers in the year ended June 30, 2014.

The granting of options to the non-management Directors of the Corporation under the Corporation's Stock Option Plan provides an appropriate long-term incentive to these Directors to provide proper independent oversight to the Corporation with a view to maximizing Shareholder value. The number of options the Corporation grants to each of these Directors reasonably reflects each Director's contributions to the Corporation in his capacity as a Director and as a member of one or more committees of the Board of Directors (if applicable), including without limitation the Compensation Committee and the Audit Committee. Previous grants of options awarded to the independent Directors of the Corporation are taken into consideration when the Corporation considers the granting of new options to the independent Directors. 300,000 options were granted to the Corporation's independent Directors during the year ended June 30, 2014.

The compensation of Directors, which, effective July 1, 2012, includes a Director's fee of \$750 per month for independent Directors and \$150 per month for independent members of a committee of the Board of Directors and \$250 per month for the independent chair of a committee, and the granting of options under the Corporation's Stock Option Plan, is determined by the full Board of Directors. The payment of the Directors' fees to the independent Directors recognizes their contributions to the Corporation in their capacities as independent Directors and members of one or more committees of the Board of Directors (if applicable), including without limitation the Compensation Committee and the Audit Committee.

Summary Compensation Table

The following table contains information about the compensation paid to, earned by and payable to, the Corporation’s Chief Executive Officer, Wojciech Drzazga, and Chief Financial Officer, Mike Kindy, for the fiscal year ending June 30, 2014, June 30, 2013 and June 30, 2012. In accordance with the Form, the Corporation does not have any other “Named Executive Officers” given that no executive officer receives total salary and bonus in excess of \$150,000. Specific aspects of compensation payable to the Named Executive Officers of the Corporation are dealt with in further detail in subsequent tables.

Summary Compensation Table									
Name and Principal Position	Year	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long-Term Incentive Plans			
Wojciech Drzazga, Chairman and C.E.O.	2014	126,993	Nil	8,284 ⁽¹⁾	\$1,412	Nil	Nil	1,610 ⁽³⁾	138,299
	2013	122,000	Nil	4,116 ⁽²⁾	\$4,880	Nil	Nil	4,976 ⁽⁴⁾	135,972
	2012	110,311	Nil	Nil	\$14,354	Nil	Nil	6,453 ⁽⁵⁾	131,118
Mike Kindy, C.F.O. and V.P. Finance	2014	Nil	Nil	6,213 ⁽¹⁾	Nil	Nil	Nil	40,609 ⁽⁶⁾	46,822
	2013	Nil	Nil	4,116 ⁽²⁾	Nil	Nil	Nil	32,348 ⁽⁶⁾	36,464
	2012	Nil	Nil	Nil	Nil	Nil	Nil	58,314 ⁽⁶⁾	58,314

Notes:

- (1) The fair value of the options was estimated using the Black-Scholes Option pricing model with the following assumptions: expected dividend yield of Nil; risk free interest rate of 1.93%; estimated life of 5 years and expected volatility of 119.90%.
- (2) The fair value of the options was estimated using the Black-Scholes Option pricing model with the following assumptions: expected dividend yield of Nil; risk free interest rate of 1.40%; estimated life of 5 years and expected volatility of 106.53%. During the year ended June 30, 2014 the Chairman and CFO exercised 100% of these options.
- (3) Benefits of \$1,610
- (4) Benefits of \$4,976.
- (5) Director fees of \$1,900 and benefits of \$4,553.
- (6) Mr. Kindy is retained as consultant and therefore does not receive a salary.

Outstanding Share-Based and Option-Based Awards Granted to Named Executive Officers as of June 30, 2014

The following table summarizes all share-based and option-based awards granted by the Corporation to its Named Executive Officers which are outstanding as of June 30, 2014.

Name	Option-Based Awards			Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-The-Money Options (\$) ⁽¹⁾	Number of Shares or Units of Shares that have not Vested	Market or Payout Value of Share-Based Awards that have not Vested (\$)
Wojciech Drzazga, Chairman and C.E.O.	100,000	\$0.10	December 31, 2018	\$3,000	Nil	Nil

Name	Option-Based Awards			Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-The-Money Options (\$) ⁽¹⁾	Number of Shares or Units of Shares that have not Vested	Market or Payout Value of Share-Based Awards that have not Vested (\$)
Mike Kindy, C.F.O. and V.P. Finance	75,000	\$0.10	December 31, 2018	\$2,250	Nil	Nil

Notes:

- (1) Based on the closing price of the Common Shares on the Exchange on June 5, 2014 (being the last day of the fiscal year on which the shares were traded) of \$0.13 per Common Share.

Value Vested or Earned by Named Executive Officers During the Years Ended June 30, 2014 Under Option-Based Awards, Share-Based Awards and Non-Equity Incentive Plan Compensation

The following table summarizes the value vested or earned during the year by Named Executive Officers in respect of option-based awards, share-based awards and non-equity incentive plan compensation during the year ended June 30, 2014.

Name	Option-Based Awards- Value Vested During the Year (\$) ⁽¹⁾	Share-Based Awards- Value Vested During the Year (\$)	Non-Equity Incentive Plan Compensation- Value Earned During the Year (\$)
Wojciech Drzazga	Nil	Nil	Nil
Mike Kindy	Nil	Nil	Nil

Note:

- (1) Determined based on the difference between the market price of the underlying Common Shares on the vesting date and the exercise price of the options.

Employment/Consulting Contracts

The Corporation has a written employment agreement with Wojciech Drzazga to employ Mr. Drzazga as the Corporation's Chairman and Chief Executive Officer at an annual salary of \$98,000 per year which was changed to \$107,800 effective January 1, 2014 plus a performance bonus effective from July 1, 2012 calculated as 5% of Net Income of Permtech Electronics Corporation, plus non-cash expenses less corporate income tax and changes in debt. The agreement provides for severance pay of fifteen (15) months salary in lieu of notice plus one (1) additional month for each full year of employment after January 1, 2002 to a total maximum severance of twenty (20) months salary. There is no written agreement between the Corporation and Mike Kindy. Mr. Kindy bills his time for being the C.F.O. at a fixed hourly rate on an as needed basis.

Termination and Change of Control Benefits

Other than as noted above, the Corporation has no compensatory plan or arrangement with respect to the Named Executive Officers that results or will result from the resignation, retirement or any other termination of employment of any such officer's employment with the Corporation, from a change of control of the Corporation or a change in the responsibilities of a Named Executive Officer following a change in control.

Compensation of Directors

The following table contains information about the compensation awarded to, earned by, paid to or payable to, the Corporation’s Directors, other than its Named Executive Officers, the compensation of whom is detailed above under “Summary Compensation Table”, for the fiscal year ended June 30, 2014.

Director Compensation Table								
Name	Fees Earned (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total (\$)
				Annual Incentive Plans	Long-Term Incentive Plans			
John Perreault ⁽¹⁾ , President and COO	120,969	Nil	8,284 ⁽²⁾	1,412	Nil	Nil	1,610 ⁽³⁾	132,275
K Michael Guerreiro	15,000	Nil	8,284 ⁽²⁾	Nil	Nil	Nil	Nil	23,284
Mike Hiscott	12,600	Nil	8,284 ⁽²⁾	Nil	Nil	Nil	Nil	20,884
Arnold Schoch ⁽⁴⁾	7,500	Nil	8,284 ⁽²⁾	Nil	Nil	Nil	Nil	15,784

Notes:

- (1) Mr. Perreault is not an independent Director. He is the President and Chief Operating Officer of the Corporation but is not a Named Executive Officer as his total compensation does not exceed \$150,000 per annum.
- (2) The fair value of the options was estimated using the Black-Scholes Option pricing model with the following assumptions: expected dividend yield of Nil; risk free interest rate of 1.93%; estimated life of 5 years and expected volatility of 119.90%. No options were actually exercised and no value was received with respect to these Option-Based Awards.
- (3) Compensation earned in his capacity as President and Chief Operating Officer.
- (4) Mr. Schoch passed away on April 27, 2014.

The independent Directors of the Corporation are entitled to receive Directors’ fees in the amount of \$750 per month and \$150 per month for independent members of a committee of the Board of Directors and \$250 per month for the independent chair of a committee. Non-independent Directors were entitled to a fee in the amount of \$250 for each meeting of the Board of Directors, a committee of the Board of Directors or of Shareholders attended or \$150 if attendance is by teleconference until July 1, 2012. All Directors are reimbursed by the Corporation for travel and other out-of-pocket expenses incurred in attending Directors and Shareholders meetings and meetings of Board committees. Directors are also entitled to receive compensation to the extent that they provide services to the Corporation at rates that would be charged by such Directors for such services to arm’s length parties.

Outstanding Share-Based and Option-Based Awards Granted to Directors (Other Than Directors Who Are Named Executive Officers) as of June 30, 2014

The following table summarizes all share-based and option-based awards granted by the Corporation to its Directors (other than Directors who are Named Executive Officers whose share-based and option-based awards outstanding as of June 30, 2014 are detailed above) which are outstanding as of June 30, 2014.

Name	Option-Based Awards			Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-The-Money Options (\$)	Number of Shares or Units of Shares that have not Vested	Market or Payout Value of Share-Based Awards that have not Vested (\$)
John Perreault	100,000	0.10	December 31, 2018	3,000 ⁽¹⁾	Nil	Nil
	50,000	0.10	September 14, 2017	1,500 ⁽¹⁾	Nil	Nil
	100,000	0.10	November 30, 2015	3,000 ⁽¹⁾	Nil	Nil
K Michael Guerriero	100,000	0.10	December 31, 2018	3,000 ⁽¹⁾	Nil	Nil
	50,000	0.10	September 14, 2017	1,500 ⁽¹⁾	Nil	Nil
	75,000	0.10	November 30, 2015	2,250 ⁽¹⁾	Nil	Nil
Mike Hiscott	100,000	0.10	December 31, 2018	3,000 ⁽¹⁾	Nil	Nil
Arnold Schoch ⁽²⁾	100,000	0.10	April 27, 2015	3,000 ⁽¹⁾	Nil	Nil
	200,000	0.15	April 27, 2015	Nil ⁽¹⁾	Nil	Nil

Notes:

- (1) Based on the closing price of the Common Shares on the Exchange on June 5, 2014 (being the last day of the fiscal year on which the shares were traded) of \$0.13 per Common Share.
- (2) Mr. Schoch passed away on April 27, 2014. Pursuant to the stock option agreements, all options expire one year after his death.

Value Vested or Earned During the Year Ended June 30, 2014 by Directors (Other Than Directors Who Are Named Executive Officers) Under Option-Based Awards, Share-Based Awards and Non-Equity Incentive Plan Compensation

The following table summarizes the value vested or earned during the year ended June 30, 2014 by Directors of the Corporation (other than Directors who are Named Executed Officers whose value vested or earned during the year ended June 30, 2014 under option-based awards, share-based awards and non-equity incentive plan compensation is detailed above) in respect of option-based awards, share-based awards and non-equity incentive plan compensation.

Name	Option-Based Awards- Value Vested During the Year (\$) ⁽¹⁾	Share-Based Awards- Value Vested During the Year (\$)	Non-Equity Incentive Plan Compensation- Value Earned During the Year (\$)
John Perreault	Nil	Nil	Nil
	Nil	Nil	Nil
K Michael Guerreiro	Nil	Nil	Nil
	Nil	Nil	Nil
Mike Hiscott	Nil	Nil	Nil
	Nil	Nil	Nil
Arn Schoch	Nil	Nil	Nil

Note:

- (1) Determined based on the difference between the market price of the underlying Common Shares on the vesting date and the exercise price of the options.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out information as of June 30, 2014 with respect to compensation plans under which equity securities of the Corporation are authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights(a) ⁽¹⁾	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column)(a)
Equity compensation plans approved by security holders	1,205,000	\$0.1083	924,728
Equity compensation plans not approved by security holders	Nil	Nil	Nil
Total	1,205,000	\$0.1083	924,728

Note:

(1) Currently, the only applicable plan is the Plan (as defined in heading “Stock Option Plan”)

STOCK OPTION PLAN

The Directors of the Corporation adopted a Stock Option Plan (the “**Plan**”) to encourage Common Share ownership in the Corporation by Directors, officers, employees (full or part-time) and consultants of the Corporation or its subsidiaries from time to time which was approved by the majority of disinterested Shareholders at the annual and special meeting of Shareholders held on June 28, 1996. The Plan permits the number of shares reserved for issuance pursuant to stock options granted to insiders to exceed 10% of the outstanding issue and the issuance to insiders within a one (1) year period of a number of shares to exceed 10% of the outstanding issue. The maximum number of options that can be granted to any person in any twelve (12) month period cannot exceed 5% of outstanding capital. Options granted to any one consultant in any twelve (12) month period or employee providing investor relations services cannot exceed more than 2% of the Corporation’s outstanding capital. Options granted to persons providing investor relation activities must vest over a twelve (12) month period with no more than 25% of the options vesting in any quarter.

The Plan provides that eligible persons thereunder include any Director, employee, (full-time or part-time), officer or consultant of the Corporation or any subsidiary thereof. A consultant means an individual (including an individual whose services are contracted through a personal holding corporation) with whom the Corporation or a subsidiary has a contract for substantial services. The Plan allows the Corporation to attract new officers and Directors by allowing it to offer stock options as inducements to join the Corporation.

The Plan is administered by the Board of Directors of the Corporation. The Board of Directors has the authority to determine, among other things, subject to the terms and conditions of the Plan, the terms, limitations, restrictions and conditions respecting the grant of stock options under the Plan.

Pursuant to Shareholder approval on June 28, 1996, Shareholders of the Corporation authorized the reservation of up to 20% of outstanding capital for stock options based upon a fixed number of shares reserved under the Plan. On December 10, 2013, the Shareholders approved amendments to certain terms of the Plan and approved an increase in the Plan to a total of 2,129,728 Common Shares (being approximately 20% of outstanding capital) reserved under the Plan, by returning 795,000 previously exercised options to the Plan and by adding an additional 717,231 Common Shares to the Plan. The principal changes in the plan include the addition of a provision automatically extending the expiry date of an option, which would otherwise expire during a blackout period, for ten (10) days following the end of the blackout period in accordance with the provisions of TSX Venture Exchange Policy 4.4

Section 3.8 and minor administrative and wording changes. Any options granted subject to the Plan that are cancelled or terminated without having been exercised shall again be available to be granted under the Plan.

The Board of Directors has the authority under the Plan to establish the option price at the time each stock option is granted which shall in all cases be not less than the closing price of the Common Shares on the trading day immediately preceding the date of the grant. Common shares of the Corporation currently trade on the TSXV. Any repricing of stock options granted to insiders must be approved by a majority of the disinterested Shareholders of the Corporation.

Options granted under the Plan must be exercised no later than ten (10) years after the date of grant and options are not transferable other than by will or the laws of descent and distribution. If an optionee ceases to be an eligible person for any reason whatsoever other than death, each option held by such optionee will cease to be exercisable in a period not exceeding one hundred and eighty (180) days following the termination of the optionee's position with the Corporation. If an optionee dies, the legal representative of the optionee may exercise the optionee's options for a period of one (1) year after the date of the optionee's death but only up to and including the original option expiry date.

The Corporation will not provide any optionee with financial assistance in order to enable such optionee to exercise stock options granted under the Plan.

There are currently 1,205,000 stock options outstanding under the Plan, and 924,728 options are available to be granted under the Plan. The details of the stock options granted under the Plan that remain outstanding are as follows:

Name and Position	Common Shares Under Option	Exercise Price Range (per Common Share)	Expiry Date
Directors	975,000	\$0.10 - \$0.15	April 27, 2015 to December 31, 2018
Senior Officers	230,000	\$0.10	November 30, 2015 to December 31, 2018
TOTAL	1,205,000		

INDEBTEDNESS OF OFFICERS AND DIRECTORS

No officer or Director of the Corporation is indebted to the Corporation for any sum.

MANAGEMENT CONTRACTS

No management functions of the Corporation are performed to any substantial degree by a person other than the Directors or executive officers of the Corporation.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

No insider of the Corporation, no proposed nominee for election as a Director of the Corporation, and no associate or affiliate of any of the foregoing, has any material interest, direct or indirect, in any transaction since the commencement of the Corporation's last financial year or in any proposed transaction, which, in either case, has materially affected or will materially affect the Corporation or any of its subsidiaries, other than disclosed under the headings "Executive Compensation" and "Stock Option Plan" and as disclosed below.

AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITORS

National Instrument 52-110 of the Canadian Securities Administrators (“**NI 52-110**”) requires the Corporation, as a Venture Issuer, to disclose annually in its information circular certain information relating to the Corporation’s audit committee and its relationship with the Corporation’s independent auditors.

The Audit Committee’s Charter

The Corporation’s Audit Committee is governed by its Audit Committee Charter, a copy of which is annexed hereto as **Schedule “A”**.

Composition of the Audit Committee

The Corporation’s Audit Committee is comprised of three (3) Directors, K. Michael Guerreiro (Chairman), Mike Hiscott and John Perreault. As defined in NI 52-110, Mike Hiscott and K. Michael Guerreiro are independent. Also as defined in NI 52-110, all members of the Audit Committee are financially literate.

Audit Committee Oversight

Since the commencement of the Corporation’s most recently completed fiscal year, the Corporation’s Board of Directors has not failed to adopt a recommendation of the Audit Committee to nominate or compensate an external auditor.

Relevant Education and Experience

The following is a summary of the relevant education and experience of each of the members of the Corporation’s Audit Committee:

K. Michael Guerreiro

Mr. Guerreiro is a sales representative in the real estate industry and has been a Director of the Corporation for over 18 years. Mr. Guerreiro’s principal occupation demands the ability to review and analyze financial statements and discuss financial issues with accountants. This educational and practical experience has resulted in Mr. Guerreiro being able to understand accounting principles and review and evaluate financial statements of the Corporation.

Mike Hiscott

Mr. Hiscott is a Chartered Professional Accountant and member of CPA Ontario. He was the Vice President – Finance of M&M Meat Shops Ltd until his retirement in 2004. Mr. Hiscott has vast experience with all areas of accounting and therefore has understanding of accounting principles and the ability to analyze and evaluate the financial statements of the Corporation.

John Perreault

Mr. Perreault has worked in the electronic manufacturing industry for many years. Mr. Perreault has been the President of Permatech Electronics Corporation (a wholly-owned subsidiary of the Corporation), since 2002. During this time he has reviewed financial statements and management discussion and analysis of the financial statements and discussed financial issues with management, accountants and auditors. As a result, he has gained an understanding of accounting principles and the ability to analyze and evaluate the financial statements of the Corporation.

Reliance on Certain Exemptions

Since the effective date of NI 52-110, the Corporation has not relied on the exemptions contained in sections 2.4 or

8 of NI 52-110. Section 2.4 provides an exemption from the requirement that the audit committee must pre-approve all non-audit services to be provided by the auditors, where the total amount of fees related to the non-audit services are not expected to exceed 5% of the total fees payable to the auditors in the fiscal year in which the non-audit services were provided. Section 8 permits a company to apply to a securities regulatory authority for an exemption from the requirements of NI 52-110, in whole or in part.

Pre-Approval Policies and Procedures

The Committee has not adopted specific policies and procedures for the engagement of non-audit services. The Committee will review the engagement of non-audit services as required.

External Auditors Service Fees (By Category)

The fees paid to the Corporation’s external auditors in each of the last two (2) fiscal years for audit fees are as follows:

Financial Year Ending	Audit Fees	Audit Related Fees⁽¹⁾	Tax Fees⁽²⁾	All Other Fees⁽³⁾
2014	\$37,100	Nil	Nil	Nil
2013	\$36,040	Nil	Nil	Nil

Notes:

- (1) Fees charged for assurance and related services reasonably related to the performance of an audit, and not included under Audit Fees.
- (2) Fees charged for tax compliance, tax advice and tax planning services.
- (3) Fees for services other than disclosed in any other column.

Exemption

The Corporation is relying upon the exemption in section 6.1 of NI 52-110 for venture issuers which allows for an exemption from Parts 3 (Composition of the Audit Committee) and 5 (Reporting Obligations) of NI 52-110 and allows for the short form of disclosure of audit committee procedures set out in Form 52-110F2.

CORPORATE GOVERNANCE

The securities regulatory authorities in Canada adopted National Instrument 58-101-Disclosure of Corporate Governance Practices (“**NI-58-101**”), which requires the Corporation to provide disclosure in this Circular of its corporate governance practices, and National Policy 58-201 Corporate Governance Guidelines (“**NP-58-201**”), which contains a series of guidelines for effective corporate governance relating to such matters as the constitution and independence of corporate boards, their functions and the experience and education of board members. Pursuant to NI-58-101, and in accordance with Form 58-101F2, the following disclosure is provided:

1. **Board of Directors** – There are currently four (4) members of the Corporation’s Board of Directors. Mike Hiscott and K. Michael Guerreiro are independent Directors of the Corporation. Wojciech Drzazga is the C.E.O., John Perreault is the President and C.O.O..
2. **Directorships** - No Director of the Corporation is presently a Director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction.
3. **Orientation and Continuing Education** - To date, the Board of Directors has not developed a policy for orienting new directors due to the small size of the Corporation. The Board of Directors continues to monitor the needs of the Corporation and will implement such a policy when appropriate. Currently, the Board of Directors is responsible for vetting potential new Directors and ensuring they are provided with proper orientation. The Board of Directors has not currently established criteria for continuing education for Directors.

4. **Ethical Business Conduct** - The Directors understand their fiduciary obligations as Directors of a public company. The Corporation has only a few employees and the Corporation instructs them in appropriate business practices. The Corporation has implemented an Insider Trading Policy, which imposes basic trading restrictions on all officers, directors, employees and consultants of the Corporation. All Directors are required to notify fellow Directors of any material personal interest in any matter under the Board's consideration. Having regard to the nature and extent of such interest, the affected Director may be required to remove himself from discussion and consideration of, and voting on, such matter.
5. **Nomination of Directors** - The Board of Directors is currently responsible for identifying new candidates for the Board of Directors including members to fill any vacancies on the Board of Directors. It will consider candidates submitted by Directors, officers, employees, Shareholders and others and may retain search firms for the purpose of identifying suitable candidates who meet the level of personal and professional integrity and ability the Board of Directors deems appropriate for Directors of the Corporation.
6. **Compensation** - The Corporation has a Compensation Committee which reviews the compensation of Directors and officers including the granting of stock options, and makes recommendations to the full Board of Directors. The committee is to be comprised of two (2) independent Directors being Mike Hiscott and K. Michael Guerreiro. Compensation will be determined with reference, in part, to compensation of officers and Directors in similar industries performing similar functions.
7. **Other Board Committees** - The Board of Directors assessed the Corporation's needs and at this point in time is not applicable for the Corporation to have any other standing committees of the Board.
8. **Assessments** - The full Board of Directors will establish procedures for satisfying itself that the Board, its committees, and its individual Directors are performing effectively.

PARTICULARS OF MATTERS TO BE ACTED UPON

PRESENTATION OF FINANCIAL STATEMENTS

The Annual Financial Statements for the fiscal years ended June 30, 2014 and 2013 and the report of the auditors thereon will be submitted to the Meeting. Receipt at the Meeting of the auditors' report and the Annual Financial Statements for the Corporation's last completed fiscal period will not constitute approval or disapproval of any matters referred to therein. The Annual Financial Statements and the Annual MD&A can be obtained from the Corporation's profile on the SEDAR website at www.sedar.com and on the Corporation's website at www.ztest.com. Shareholders may receive paper copies of the Circular and the Annual Financial Statements and Annual MD&A by following the procedure referred to under the heading "Notice-and-Access" on the first page of this Circular. In the alternative, upon receiving a written request to the address on the first page of this Circular, the Corporation will mail a copy of the Annual Financial Statements and Annual MD&A to you.

ELECTION OF THE BOARD OF DIRECTORS

The Board of Directors of the Corporation currently consists of four (4) Directors. The Directors have passed a resolution fixing the number of Directors to be elected at four (4). The persons named in the enclosed form of proxy intend to vote for the election as Directors of each of the four (4) nominees of management whose names are set forth in the table below. The Board of Directors has adopted a majority voting policy in order to promote enhanced Director accountability. Each Shareholder is entitled to cast their votes for, or withhold their votes from, the election of each Director. If the number of shares “withheld” for any nominee exceeds the number of shares voted “for” the nominee, then, notwithstanding that such Director was duly elected as a matter of corporate law, he shall tender his written resignation to the Corporation. The Board will consider such offer of resignation and the Director’s suitability to continue to serve as a Board member after considering, among other things, the stated reasons, if any, why certain Shareholders “withheld” votes for the Director, the qualifications of the Director and whether the Director’s resignation from the Board would be in the best interests of the Corporation.

These nominees have consented to being named in this Circular and to serve if elected. The Corporation’s management does not contemplate that any of the nominees will be unable or unwilling to serve as a Director, but if that should occur for any reason prior to the Meeting, the Common Shares represented by properly submitted proxies given in favour of such nominee(s) may be voted by the persons whose names are printed in the form of proxy, in their discretion, in favour of another nominee.

The following table and notes thereto state the names of all the persons proposed to be nominated for election as Directors, all of the positions and offices with the Corporation now held by them, their present principal occupations or employments for the last five (5) years and the number of shares of the Corporation beneficially owned, directly or indirectly, or over which control or direction is exercised, by each of them as of October 30, 2014. The information as to shares beneficially owned has been furnished to the Board of Directors by the respective nominees.

Name and Municipality of Residence	Position with Corporation	Principal Occupation or Employment for the Last Five Years	Director From	Number of Shares Beneficially Owned or Controlled
Wojciech Drzazga Brampton, Ontario	Chairman, C.E.O. and Director	C.E.O. of the Corporation and its subsidiary Permotech Electronics Corporation, President of the Corporation until January 2002	June 28, 1996	572,512 Common Shares
John Perreault ⁽¹⁾ Scarborough, Ontario	President, C.O.O. and Director	President of the Corporation and its subsidiary, Permotech Electronics Corporation	February 19, 2002	98,439 Common Shares
K. Michael Guerreiro ⁽¹⁾⁽²⁾ Cambridge, Ontario	Director	Employed as a Sales Representative, Royal LePage Real Estate Services Ltd.	June 28, 1996	316,728 Common Shares
Mike Hiscott ⁽¹⁾⁽²⁾ Kitchener, Ontario	Director	Vice-President of M&M Meat Shops until retirement in 2004	April 24, 2008	225,000 Common Shares

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.

The Shareholders are urged to elect Management’s nominees as Directors of the Corporation.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Cease Trade Orders

To the knowledge of the Corporation, no Director or proposed Director of the Corporation is, as at the date of this Circular, or has been in the last 10 years before the date of this Circular, a Director, chief executive officer or chief financial officer of any company (including the Corporation) that, while that person was acting in that capacity,

- (a) was subject to an order that was issued while the Director or executive officer was acting in the capacity as Director, chief executive officer or chief financial officer; or
- (b) was subject to an order that was issued after the Director or executive officer ceased to be a Director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as Director, chief executive officer or chief financial officer.

For the purposes of subsections (a) and (b) above, “order” means (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.

Bankruptcies

To the knowledge of the Corporation, no Director or proposed Director of the Corporation:

- (a) is, as at the date of this Circular, or has been within the 10 years before the date of this Circular, a Director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the Director or proposed Director.

Penalties or Sanctions

To the knowledge of the Corporation, none of the Directors or proposed Directors of the Corporation have been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or have entered into a settlement agreement with a Canadian securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Conflict of Interest

To the best of the Corporation’s knowledge and other than as disclosed herein, there are no existing or potential conflicts of interest among the Corporation, its promoters, Directors, officers or other members of management of the Corporation except that certain of the Directors, officers, promoters and other members of management serve as Directors, officers, promoters and members of management of other public companies and therefore it is possible that a conflict may arise between their duties as a Director, officer, promoter or member of management of such other companies and their duties as a Director, officer, promoter or management of the Corporation.

The Directors and officers of the Corporation are aware of the existence of laws governing accountability of Directors and officers for corporate opportunity and requiring disclosure by Directors of conflicts of interest and the Corporation will rely upon such laws in respect of any Directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its Directors and officers.

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the appointment of MNP LLP, Chartered Accountants, of Toronto, Ontario, as auditors of the Corporation to hold office until the next annual meeting of Shareholders and to authorize the Directors of the Corporation to fix the auditors' remuneration.

On the representations of the said auditors, neither that firm nor any of its partners has any direct financial interest nor any material indirect financial interest in the Corporation or any of its subsidiaries nor has had any connection during the past three (3) years with the Corporation or any of its subsidiaries in the capacity of promoter, underwriter, voting trustee, Director, officer or employee.

The Shareholders are urged by Management to appoint MNP LLP, Chartered Accountants, as the Corporation's auditors and to authorize the Board of Directors to fix their remuneration.

ADDITIONAL INFORMATION

Additional information concerning the Corporation can be obtained from www.sedar.com.

Financial information concerning the Corporation is provided in the Corporation's comparative financial statements and Management Discussion and Analysis for its fiscal year ended June 30, 2014. Copies of these documents may be obtained from the Corporation by making a request in writing to the Corporation at 523 McNicoll Avenue, North York, Ontario, M2H 2C9, fax (416) 297-5156 Attention: Chief Executive Officer.

APPROVAL OF DIRECTORS

The Circular and the mailing of same to Shareholders have been approved by the Board of Directors of the Corporation.

DATED the 30th day of October, 2014.

BY ORDER OF THE BOARD OF DIRECTORS

"Wojciech Drzazga"

WOJCIECH (TED) DRZAZGA
Chief Executive Officer

SCHEDULE “A”

ZTEST ELECTRONICS INC. (the “Corporation”)

AUDIT COMMITTEE CHARTER

Purpose of the Audit Committee

The purpose of the Audit Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of the Corporation is to assist the Board in fulfilling its responsibility for the oversight of the financial reporting process. The purpose of this Charter is to ensure that the Corporation maintains a strong, effective and independent audit committee, to enhance the quality of financial disclosure made by the Corporation and to foster increased investor confidence in both the Corporation and Canada’s capital markets. It is the intention of the Board that through the involvement of the Committee, the external audit will be conducted independently of the Corporation’s Management to ensure that the independent auditors serve the interests of shareholders rather than the interests of Management of the Corporation. The Committee will act as a liaison to provide better communication between the Board and the external auditors. The Committee will review financial reports or other financial information provided by the Corporation to regulatory authorities and shareholders and review the integrity, adequacy and timeliness of the financial reporting and disclosure practices of the Corporation. The Committee will monitor the independence and performance of the Corporation’s independent auditors.

Composition and Procedures of the Audit Committee

The Committee shall consist of at least three (3) directors. Members of the Committee shall be appointed by the Board and may be removed by the Board in its discretion. While the Board may recommend a Chairman for the Committee, the Committee shall have the discretion to appoint the Chairman from amongst its members. The Committee shall establish procedures for quorum, notice and timing of meetings subject to the proviso that a quorum shall be no less than two (2) Committee members. Meetings shall be held no less regularly than once per quarter to review the audited financial statements and interim financial statements of the Corporation. At least one (1) member of the Committee shall be independent and the Board and the Committee shall endeavor to appoint a majority of independent directors to the Committee, who in the opinion of the Board, would be free from a relationship which would interfere with the exercise of the Committee members’ independent judgment. At least one (1) member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices applicable to the Corporation. For the purposes of this Charter, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.

Specific duties and responsibilities of the Audit Committee

- (1) The Committee shall recommend to the Board:
 - (a) the external auditors to be nominated for the purpose of preparing or issuing an auditors' report or performing other audit, review or attest services for the Corporation; and
 - (b) the compensation of the external auditors.
- (2) The Committee shall be directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an auditors' report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between Management and the external auditors regarding financial reporting.
- (3) The Committee shall pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the Corporation's external auditors.
- (4) The Committee satisfies the pre-approval requirement in subsection (3) if:
 - (a) the aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the Corporation and its subsidiary entities to the Corporation's external auditors during the fiscal year in which the services are provided;
 - (b) the Corporation or the subsidiary entity of the Corporation, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and
 - (c) the services are promptly brought to the attention of the Committee and approved, prior to the completion of the audit, by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Committee.
- (5)
 - (a) The Committee may delegate to one or more independent members the authority to pre-approve non-audit services in satisfaction of the requirement in subsection (3).
 - (b) The pre-approval of non-audit services by any member to whom authority has been delegated pursuant to subsection (5)(a) must be presented to the Committee at its first scheduled meeting following such pre-approval.
- (6) The Committee satisfies the pre-approval requirement in subsection (3) if it adopts specific policies and procedures for the engagement of the non-audit services, if:
 - (a) the pre-approval policies and procedures are detailed as to the particular service;
 - (b) the Committee is informed of each non-audit service; and
 - (c) the procedures do not include delegation of the Committee's responsibilities to

Management.

- (7) The Committee shall review the Corporation's financial statements, MD&A and annual and interim earnings press releases before the Corporation publicly discloses this information.
- (8) The Committee must be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to in subsection (7), and must periodically assess the adequacy of those procedures.
- (9) The Committee must establish procedures for:
 - (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
 - (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
- (10) The Committee must review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.
- (11) The Committee shall have the authority:
 - (a) to engage independent counsel and other advisors as it determines necessary to carry out its duties,
 - (b) to set and pay the compensation for any advisors employed by the Committee; and
 - (c) to communicate directly with the internal and external auditors.
- (12) The Committee shall review with Management and independent auditors the quality and the appropriateness of the Corporation's financial reporting and accounting policies, standards and principles and significant changes in such standards or principles or in their application, including key accounting decisions affecting the financial statements, alternatives thereto and the rationale for decisions made.
- (13) The Committee shall review the clarity of the financial statement presentation with a view to ensuring that the financial statements provide meaningful and readily understandable information to shareholders and the investing public.
- (14) The Committee shall monitor the independence of the independent auditors and establish procedures for confirming annually the independence of the independent auditors and any relationships that may impact upon the objectivity and the independence of the external auditors.
- (15) The Committee shall review with Management and the external auditors the audit plan for the year-end financial statements prior to the commencement of the year end audit.

- (16) The Committee shall review the appointments of the Corporation's Chief Financial Officer and any other key financial executives involved in the financial reporting process.
- (17) The Committee shall review with Management and the external auditors significant related party transactions and potential conflicts of interest.
- (18) The Committee shall review in consultation with the external auditors and Management the integrity of the Corporation's financial reporting process and internal controls.
- (19) The Committee shall meet with the external auditors in the absence of Management to discuss the audit process, any difficulties encountered, any restrictions on the scope of work or access to required information, any significant judgments made by Management and any disagreement among Management and the external auditors in the preparation of the financial statements and such other matters that may arise as a result of the audit or review by the external auditors.
- (20) The Committee shall conduct or authorize any review or investigation and consider any matters of the Corporation the Committee believes is within the scope of its responsibilities and shall establish procedures for such review or investigation as may be required.
- (21) The Committee shall make recommendations to the Board with respect to changes or improvements to financial or accounting practices, policies and principles and changes to this Charter.

ZTEST Electronics Inc.
Consolidated Financial Statements
June 30, 2014 and 2013
(Stated in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ZTEST Electronics Inc.

We have audited the accompanying consolidated financial statements of ZTEST Electronics Inc., which comprise the consolidated statement of financial position as at June 30, 2014 and 2013, and the consolidated statements of changes in equity, comprehensive (loss) income and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of ZTEST Electronics Inc. as of June 30, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



**CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS**

Toronto, Ontario
October 28, 2014

ZTEST Electronics Inc.**Consolidated Statements of Financial Position**

(Stated in Canadian Dollars)

June 30, 2014 and 2013

	2014	2013
Assets		
Current assets		
Cash and cash equivalents	\$ 53,723	\$ 120,614
Restricted cash equivalents (note 5)	250,000	250,000
Accounts receivable	413,485	506,799
Inventories (note 3)	662,941	632,459
Prepaid expenses	8,254	7,944
	1,388,403	1,517,816
Lease deposit (note 7)	35,000	35,000
Equipment (note 4)	674,697	623,373
	\$ 2,098,100	\$ 2,176,189
Liabilities		
Current liabilities		
Bank operating loan (note 5)	\$ 25,000	\$ -
Customer deposits and deferred revenue	-	5,113
Accounts payable and accrued liabilities (note 9)	594,609	565,524
Dividends payable	263,337	263,337
Current portion of long-term debt (note 6)	123,689	406,051
Preferred shares (note 8)	473,855	473,855
	1,480,490	1,713,880
Long-term debt (note 6)	158,244	45,788
	1,638,734	1,759,668
Shareholders' Equity		
Share capital (note 8)	22,343,053	22,330,215
Warrants (note 8)	80,896	76,677
Contributed surplus (note 8)	613,819	569,452
Deficit	(22,578,402)	(22,559,823)
	459,366	416,521
	\$ 2,098,100	\$ 2,176,189

Commitments (note 7)*The accompanying notes are an integral part of these consolidated financial statements*

Approved by the Board:

Signed: "Wojciech Drzazga"

Director

Signed: "John Perreault"

Director

ZTEST Electronics Inc.**Consolidated Statement of Changes in Equity**

(Stated in Canadian Dollars)

June 30, 2014

	Share Capital	Warrants	Contributed, Surplus	Deficit	Total
Balance, June 30, 2012	\$ 22,065,037	\$ 81,564	\$ 485,451	\$ (22,708,142)	\$ (76,090)
Private placement, net of costs	157,810	-	-	-	157,810
Allocated to warrants	(37,859)	37,859	-	-	-
Exchange of Class A shares for common shares	(91,049)	-	91,049	-	-
Stock options exercised	126,030	-	(54,030)	-	72,000
Warrants exercised	110,246	(42,746)	-	-	67,500
Share based payments	-	-	42,118	-	42,118
Derecognition of dividends	-	-	4,864	-	4,864
Net income for the year	-	-	-	148,319	148,319
Balance, June 30, 2013	22,330,215	76,677	569,452	(22,559,823)	416,521
Stock options exercised	12,838	-	(5,338)	-	7,500
Warrants granted	-	4,219	-	-	4,219
Share based payments	-	-	49,705	-	49,705
Net loss for the year	-	-	-	(18,579)	(18,579)
Balance, June 30, 2014	\$ 22,343,053	\$ 80,896	\$ 613,819	\$ (22,578,402)	\$ 459,366

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

ZTEST Electronics Inc.**Consolidated Statements of Comprehensive Income (Loss)**

(Stated in Canadian Dollars)

For the years ended June 30, 2014 and 2013

	2014	2013
Product sales	\$ 4,014,268	\$ 4,601,698
Cost of product sales (notes 3 and 9)	2,643,284	3,041,347
	1,370,984	1,560,351
Expenses		
Selling, general and administrative (note 13)	1,307,047	1,259,041
Stock-based compensation (note 9)	49,705	42,118
Interest expense - long-term debt (note 9)	30,785	86,152
Interest expense - other	4,614	596
Financing fees	-	8,800
Depreciation of equipment	3,735	3,862
Foreign exchange (gain) loss	(3,581)	18,775
	1,392,305	1,419,344
(Loss) income before miscellaneous income and income taxes	(21,321)	141,007
Miscellaneous income	2,742	7,312
(Loss) income before provision for income taxes	(18,579)	148,319
Provision for income taxes (note 10)	-	-
Net (loss) income and comprehensive (loss) income for the year	\$ (18,579)	\$ 148,319
Net (loss) income per share		
Basic	\$ (0.00)	\$ 0.02
Fully diluted	\$ (0.00)	\$ 0.02
Weighted average shares outstanding		
Basic	10,644,175	8,245,701
Fully diluted	11,847,917	8,841,043

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

ZTEST Electronics Inc.**Consolidated Statements of Cash Flows**

(Stated in Canadian Dollars)

For the years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flow from operating activities		
Net (loss) income for the year	\$ (18,579)	\$ 148,319
Items not involving cash		
Debt forgiveness	-	(5,380)
Interest accretion	9,149	20,593
Depreciation of equipment	145,090	154,895
Stock-based compensation	49,705	42,118
Changes in non-cash working capital items		
Accounts receivable	93,314	291,004
Inventories	(30,482)	(74,303)
Prepaid expenses	(310)	(4,110)
Customer deposits and deferred revenue	(5,113)	5,113
Accounts payable and accrued liabilities	29,085	(120,411)
	<u>271,859</u>	<u>457,838</u>
Cash flow from investing activities		
Purchase of equipment	(196,414)	(14,023)
Cash flow from financing activities		
Proceeds from operating loan	25,000	-
Restricted cash equivalents	-	(250,000)
Proceeds from share issuances	7,500	315,500
Costs of share issuance	-	(18,190)
Repayment of notes payable	(144,735)	-
Proceeds from long-term debt	200,000	-
Repayment of long-term debt	(230,101)	(552,326)
	<u>(142,336)</u>	<u>(505,016)</u>
Decrease in cash	(66,891)	(61,201)
Cash and cash equivalents, beginning of year	120,614	181,815
Cash and cash equivalents, end of year	\$ 53,723	\$ 120,614

Supplemental Disclosure of Cash Flow Information:

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

Interest	\$ 24,921	\$ 67,968
Income taxes	\$ -	\$ -

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

Notes to Consolidated Financial Statements

(Stated in Canadian Dollars)

June 30, 2014 and 2013

1. Business of the Company

ZTEST Electronics Inc. (the Company) 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 Venture Exchange under the symbol "ZTE".

2. Significant Accounting Policies

Statement of compliance

The Company has prepared these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations of the IFRS Interpretations Committee. These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on October 28, 2014.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Basis of presentation and going concern considerations

These 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 going concern. 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 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 consolidated financial statements include the accounts of the Company as well as the following subsidiaries' assets and liabilities and revenues and expenses, arising subsequent to the date of acquisition:

Permatech Electronics Corporation (PEC)	- 100% owned ⁽¹⁾
Northern Cross Minerals Inc.	- 66.7% owned (inactive)

⁽¹⁾ The Company has granted a creditor the right to acquire a 24% interest in PEC (note 6).

Changes in accounting policies

Each of the following was adopted July 1, 2013 without impact upon the amounts or disclosures presented in these consolidated financial statements:

IFRS 10, *Consolidated Financial Statements*, replaced the consolidation guidance in IAS 27, *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidation — Special Purpose Entities*, by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee.

IFRS 13, *Fair Value Measurement*, replaced the guidance on fair value measurement in existing IFRS accounting literature with a single standard. It defines and provides guidance on determining fair value and requires disclosures about fair value measurements, but does not change the requirements regarding which items are measured or disclosed at fair value.

IAS 28, *Investments in Associates and Joint Ventures*, amended in 2011, prescribes the accounting for investments in associates and establishes the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

Significant accounting judgments and estimates

The preparation of these 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 consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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.

Notes to Consolidated Financial Statements

(Stated in Canadian Dollars)

June 30, 2014 and 2013

2. Significant Accounting Policies - continued

Significant accounting judgments and estimates

The preparation of these 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 consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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 recoverability of inventory, the carrying value of liabilities which are past due and for which the timing of future cash flows are undetermined, and the recognition and valuation of deferred tax amounts.

Financial instruments

The Company's financial instruments are comprised of the following:

<u>Financial assets:</u>	<u>Classification</u>
Cash and cash equivalents	Fair value through profit and loss
Restricted cash equivalents	Fair value through profit and loss
Accounts receivable	Loans and receivables
<u>Financial liabilities:</u>	<u>Classification</u>
Bank operating loan	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities
Dividends payable	Other financial liabilities
Preferred shares	Other financial liabilities
Long-term debt	Other financial liabilities

Fair value through profit and loss:

Financial assets are designated as fair value through profit and loss if they were acquired principally for the purpose of selling in the short term. Fair value through profit and loss assets are recognized and carried at their fair value.

Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Other financial liabilities:

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the net carrying amount on initial recognition. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Impairment of financial assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the assets have been negatively impacted.

Notes to Consolidated Financial Statements

(Stated in Canadian Dollars)

June 30, 2014 and 2013

2. Significant Accounting Policies - continued

Financial instruments - continued

Impairment of financial assets - continued:

Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in income for the period.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through income for the period to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of June 30, 2014 and 2013 cash and cash equivalents and restricted cash equivalents are measured at fair value and are classified within Level 1 of the fair value hierarchy.

Financial instruments recorded at amortized cost:

Financial instruments recorded at amortized cost on the consolidated statement of financial position are amortized using the market rates of interest prevailing at the inception of the financial instrument applied to expected future cash flows. The amortized cost is recomputed in the event that the underlying terms, and therefore the expected future cash flows, of the financial instrument are altered with any change in the amortized cost being charged to income of the period. Dividends payable and preferred shares are each carried at historical cost as the future cash flows cannot be reasonably estimated.

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 or cash generating unit (CGU) have suffered an impairment loss. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets. Where such an indication exists, the recoverable amount of the asset or CGU is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's or CGU's 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 or CGU in an arm's 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 or CGU. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount and the impairment loss is recognized in the income for the period.

Notes to Consolidated Financial Statements

(Stated in Canadian Dollars)

June 30, 2014 and 2013

2. Significant Accounting Policies - continued

Impairment of non-financial assets - continued

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU 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 or CGU in prior years. A reversal of an impairment loss is recognized immediately in income for the period.

The Company has assessed the assets of all its operating entities and has determined that there is no impairment of its non-financial assets.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid short-term interest bearing securities with maturity at the date of purchase of three months or less.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Net realizable value is the amount, net of the estimated costs to complete assemblies and sell them, which the Company expects to realize from the sale of inventory in the ordinary course of business. An assessment of net realizable value is completed at the end of each reporting period and any resulting write-downs, or recovery of previous write-downs, are reflected in income for the period. Current assessments have determined that net realizable values equal or exceed the corresponding costs and accordingly all inventories are currently carried at cost.

Equipment

Equipment is stated at cost. Depreciation is provided over the related assets' estimated useful lives using the following methods and annual rates:

Computer equipment	-	30%	declining balance
Office equipment	-	20%	declining balance
Manufacturing equipment	-	20%	declining balance
Leasehold improvements	-	10 yrs	straight-line

The Company reviews the estimated useful lives, residual values and depreciation method at the end of each reporting period, accounting for the effect of any changes in estimate on a prospective basis.

Revenue recognition

Revenue is recorded when the risks and rewards of ownership pass to the purchaser which is when the product is delivered and/or the service is completed and collection is reasonably assured.

Share based payment transactions

The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At the end of each financial reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in profit and loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Notes to Consolidated Financial Statements

(Stated in Canadian Dollars)

*June 30, 2014 and 2013***2. Significant Accounting Policies - continued****Income taxes - continued**

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Income per share

The Company presents basic and diluted income per share data for its common shares, calculated by dividing the income attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted income per share is determined by adjusting the income 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 in the computation of diluted earnings 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 for the period of the Company's shares.

Foreign exchange

As at the transaction date all asset, liability, revenue, and expense amounts denominated in foreign currencies are translated into Canadian dollars using the exchange rate in effect as at that date. At the end of each financial reporting period all monetary assets and liabilities are translated into Canadian dollars using the exchange rate in effect as at that date. The resulting foreign exchange gains and losses are included in income for the 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.

Accounting standards effective for future periods

IFRS 9, *Financial Instruments*: effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of the financial statements for their assessment of the amounts, timing and uncertainty of future cash flows. Management anticipates that this standard will be adopted in the Company's financial statements for the year beginning July 1, 2018 and has not yet considered the potential impact of its adoption.

IFRS 15, *Revenue from Contracts with Customers*: effective for annual periods beginning on or after January 1, 2017, with early adoption permitted, replaces existing revenue standards and interpretations with a single standard and provides additional guidance on revenue recognition for contracts with customers. Management anticipates that this standard will be adopted in the Company's financial statements for the year beginning July 1, 2017 and has not yet considered the potential impact of its adoption.

3. Inventories**The carrying value of inventories is comprised of:**

	2014	2013
Raw materials and supplies ⁽¹⁾	\$ 636,612	\$ 592,668
Work in process	12,393	12,877
Finished goods	13,936	26,914
	\$ 662,941	\$ 632,459

⁽¹⁾ The raw materials and supplies is presented net of provisions for obsolete and/or slow moving items in the amount of \$56,045 (2013 - \$33,615).

ZTEST Electronics Inc.**Notes to Consolidated Financial Statements**

(Stated in Canadian Dollars)

June 30, 2014 and 2013

3. Inventories - continued

Inventory utilization during the year was as follows:

	2014	2013
Raw materials and supplies used	\$ 1,588,919	\$ 2,044,591
Labour costs	761,263	753,901
Depreciation	141,355	151,033
Repairs and maintenance	33,451	18,848
Stencils and tooling	41,279	42,407
Shipping costs	56,643	57,612
Other costs	6,912	6,833
Net change in finished goods and work in process	13,462	(33,878)
Cost of product sales	<u>\$ 2,643,284</u>	<u>\$ 3,041,347</u>

4. Equipment

	Computer Equipment	Office Equipment	Manufacturing Equipment	Leasehold Improvements	Total
Cost:					
Balance, June 30, 2012	\$ 168,136	\$ 71,277	\$ 2,356,046	\$ 61,003	\$ 2,656,462
Additions	1,016	-	13,007	-	14,023
Balance, June 30, 2013	169,152	\$ 71,277	\$ 2,369,053	\$ 61,003	\$ 2,670,485
Additions	4,259	-	192,155	-	196,414
Balance, June 30, 2014	<u>\$ 173,411</u>	<u>\$ 71,277</u>	<u>\$ 2,561,208</u>	<u>\$ 61,003</u>	<u>\$ 2,866,899</u>
Accumulated Depreciation:					
Balance, June 30, 2012	\$ (161,343)	\$ (65,733)	\$ (1,604,138)	\$ (61,003)	\$ (1,892,217)
Depreciation	(2,190)	(1,109)	(151,596)	-	(154,895)
Balance, June 30, 2013	(163,533)	(66,842)	(1,755,734)	(61,003)	(2,047,112)
Depreciation	(2,325)	(886)	(141,879)	-	(145,090)
Balance, June 30, 2014	<u>\$ (165,858)</u>	<u>\$ (67,728)</u>	<u>\$ (1,897,613)</u>	<u>\$ (61,003)</u>	<u>\$ (2,192,202)</u>
Carrying Amounts:					
June 30, 2013	\$ 5,619	\$ 4,435	\$ 613,319	\$ -	\$ 623,373
June 30, 2014	<u>\$ 7,553</u>	<u>\$ 3,549</u>	<u>\$ 663,595</u>	<u>\$ -</u>	<u>\$ 674,697</u>

5. Bank operating loan

	2014	2013
The line of credit ⁽¹⁾ , which can be drawn to a maximum of \$250,000, bears interest at the TD Bank prime lending rate plus 0.5%, is due upon demand, and is secured by a \$250,000 term deposit ⁽²⁾ and a general security agreement covering the assets of PEC.	<u>\$ 25,000</u>	<u>\$ -</u>

⁽¹⁾ On June 27, 2014 the Company's financial institution approved the restructuring of this line of credit to remove the requirement for term deposit security and to increase the interest rate to the prime lending rate plus 2.5%. These changes took effect July 7, 2014 at which time the restricted funds became available for general use.

⁽²⁾ The term deposit bears interest at 1.25% and matures October 20, 2014.

Notes to Consolidated Financial Statements

(Stated in Canadian Dollars)

June 30, 2014 and 2013

6. Long-Term Debt

	2014	2013
Non-interest bearing debenture has matured. ⁽¹⁾	\$ 39,600	\$ 39,600
Debenture, bearing interest at 10.5%, secured by specific equipment, was settled in full September 2013. At the time the funds were advanced the holder of this debenture was issued 233,333 common shares of the Company.	-	99,580
Debenture, bearing interest at 4.5%, secured by specific equipment, and matured December 2013. ⁽²⁾	-	228,962
Term loan, having a face value of \$46,806, bearing interest at 11.00%, secured by a general security agreement covering the assets of PEC, matures April 2015. Blended monthly principal and interest payments of \$4,920 are required. At the time the funds were advanced the creditor was granted an option to acquire a 24% interest in PEC for \$200,000 on or before May 1, 2015. ⁽³⁾	45,789	83,697
Term loan, having a face value of \$150,000, bearing interest at 9% matures October 2017. Monthly interest payments were required until October 2014 after which blended monthly principal and interest payments of \$4,770 were required. This loan was repaid in full subsequent to the financial reporting date. At the time the funds were advanced the creditor was granted 300,000 warrants, with an exercise price of \$0.10, and an expiry date of October 31, 2017. ^{(3) (5) (6)}	147,408	-
Term loan having a face value of \$50,000, bearing interest at 9% matures October 2017. Monthly interest payments are required until October 2014 after which blended monthly principal and interest payments of \$1,590 were required. This loan was repaid in full subsequent to the financial reporting date. At the time the funds were advanced the creditor was granted 100,000 warrants, with an exercise price of \$0.10, and an expiry date of October 31, 2017. ^{(4) (5) (6)}	49,136	-
Total long-term debt	281,933	451,839
Less: Current portion	123,689	406,051
	\$ 158,244	\$ 45,788

⁽¹⁾ The debenture has matured but no means of settlement has been reached. It is classified as current.

⁽²⁾ In December 2013 this debenture was settled through a cash payment of \$58,930 and the issuance of a 7% note payable in the amount of \$144,735. The note required blended monthly principal and interest payments of \$15,438 to September 2014 and a final payment of \$10,286 in October 2014. The Company made the regular monthly payments until June 2014 at which time the remaining balance of the note was repaid in its entirety.

⁽³⁾ Payable to a corporate shareholder that is controlled by the spouse of a Director of the Company (*note 9*).

⁽⁴⁾ Payable to the Company's Chief Financial Officer (*note 9*).

⁽⁵⁾ Fair values were determined using the discounted cash flow approach with the discount rate of 10% representing the rate that would have applied had there been no warrants issued. The difference between the face value and the fair value was added to equity representing the value of the warrants (*note 8*).

⁽⁶⁾ In July 2014 the Company's financial institution funded a new term loan in the amount of \$197,463 which is unsecured, bears interest at the prime lending rate (currently 3.0%) plus 1.75%, matures July 2019, and is repayable in monthly principal payments of \$3,291 plus applicable interest. The proceeds of this loan were used to retire the 9% term loans per ⁽³⁾ and ⁽⁴⁾ above.

ZTEST Electronics Inc.**Notes to Consolidated Financial Statements**

(Stated in Canadian Dollars)

June 30, 2014 and 2013

6. Long-Term Debt - continued

The minimum annual future principal repayments are as follows:

	As Above	Refinanced ⁽⁵⁾
2015	\$ 123,689	\$ 121,590
2016	63,347	39,493
2017	69,979	39,493
2018	24,918	39,493
2019	-	39,493
After 2019	-	3,290
	<u>\$ 281,933</u>	<u>\$ 282,852</u>

7. Commitments

The Company leases its operating facility under a lease that is due to expire March 31, 2021. A lease deposit in the amount of \$35,000 was paid and will be applied at the end of the lease. Minimum monthly rental payments ranging from \$7,470 to \$8,979 are required over the remaining term of the lease as follows:

2015	\$ 90,993
2016	95,972
2017	100,952
2018	103,668
2019	106,385
Remaining	188,550
	<u>\$ 686,520</u>

8. Share Capital**(a) Authorized**

Unlimited Common shares

Unlimited Non-voting, non-participating Class A special shares. All previously outstanding Class A special shares were exchanged for common shares.

Unlimited Preferred shares in one or more series. The following four series have been authorized to date:

Series A redeemable, voting shares were to be repurchased May 2004. ⁽¹⁾

Series B shares may no longer be issued and none remain outstanding.

Series C redeemable, voting shares were to be repurchased May 2007. ⁽¹⁾

Series D shares may no longer be issued and none remain outstanding.

⁽¹⁾ The right to vote at the meeting of common shareholders arises because the associated dividends are more than 12 months in arrears. Settlement of the repurchase price and the associated dividends payable has yet to be negotiated.

(b) Issued:

	<u>2014</u>	<u>2013</u>
Common shares	<u>\$ 22,343,053</u>	<u>\$ 22,330,215</u>

ZTEST Electronics Inc.**Notes to Consolidated Financial Statements**

(Stated in Canadian Dollars)

*June 30, 2014 and 2013***8. Share Capital - continued****(b) Issued - continued:**

Common shares:	Number of Shares	Amount
Balance June 30, 2012	7,062,488	\$ 21,965,037
Common shares issued in exchange for Class A shares ⁽¹⁾	91,208	8,951
Private placement ⁽²⁾	2,200,000	119,951
Stock options exercised	720,000	126,030
Warrants exercised	500,000	110,246
Balance June 30, 2013	10,573,696	\$ 22,330,215
Stock options exercised	75,000	12,838
Balance June 30, 2014	10,648,696	\$ 22,343,053

⁽¹⁾ In the 2013 fiscal year the Company's shareholders approved the issuance of 99,454 common shares in exchange for 100% of the Class A Special Shares outstanding. 91,208 common shares have been issued, representing the entitlement of the identifiable Class A shareholders. 8,246 common shares have been reserved to be issued if and when the remaining Class A shareholders identify themselves to the Company.

⁽²⁾ Reported net of costs of \$18,190 associated with this offering and \$37,859 allocated to the warrants issued.

	2014	2013
Preferred shares	\$ 473,855	\$ 473,855

(c) Details of warrants outstanding:

	Number of Warrants	Amount
Balance June 30, 2012	1,400,000	\$ 81,564
Issued during the year	1,100,000	37,859
Exercised during the year	(500,000)	(42,746)
Balance June 30, 2013	2,000,000	76,677
Issued during the year	400,000	4,219
Balance June 30, 2014	2,400,000	\$ 80,896

	Number of Warrants	Exercise Price	Expiry Date
Issued Mar. 24, 2011	900,000	\$ 0.10	Mar. 24, 2016
Issued Feb. 4, 2013	1,100,000	\$ 0.10	Feb. 4, 2016
Issued Jan 10, 2014	400,000	\$ 0.10	Oct. 31, 2017

	Number of Warrants	Weighted Average Price per Warrant	Weighted Average Expiry Date
Beginning of year	2,000,000	\$ 0.10	Feb. 26, 2016
Issued	400,000	\$ 0.10	Oct. 31, 2017
End of year	2,400,000	\$ 0.10	June 7, 2016

Notes to Consolidated Financial Statements

(Stated in Canadian Dollars)

June 30, 2014 and 2013

8. Share Capital - continued

(c) Details of warrants outstanding - continued:

The following weighted average assumptions applied to the warrants at the time of issue. These assumptions were used to calculate the fair value of the warrants issued during the year ended June 30, 2013 while the warrants issued during the current year were valued at the difference between the face value and fair value of the debts for which the warrants were issued as partial compensation (*note 6*):

	2014	2013
Dividend yield	Nil	Nil
Risk free interest rate (%)	N/A	1.17
Expected stock volatility (%)	N/A	107.56
Expected life (years)	N/A	3

(d) Details of options outstanding:

	Common Shares Under Option	Number of Options Vested	Exercise Price	Expiry Date
Granted Nov. 30, 2010	275,000 ⁽¹⁾	275,000	\$ 0.10	Nov. 30, 2015
Granted Sept. 14, 2012	130,000 ⁽¹⁾	130,000	\$ 0.10	Sept. 14, 2017
Granted March 11, 2013	200,000 ⁽²⁾	200,000	\$ 0.15	April 27, 2015
Granted December 31, 2013	100,000 ⁽²⁾	100,000	\$ 0.10	April 27, 2015
Granted December 31, 2013	500,000 ⁽¹⁾	500,000	\$ 0.10	Dec. 31, 2018

	Common Shares Under Option	Weighted Average Price/Option	Weighted Average Expiry Date
Beginning of year	680,000	\$ 0.115	Jan. 20, 2017
Issued during year	600,000	\$ 0.100	Dec. 31, 2018
Exercised during year	(75,000)	\$ 0.100	Feb. 8, 2017
Amended during year ⁽²⁾	(300,000)	\$ 0.132	June 17, 2018
Amended during year ⁽²⁾	300,000	\$ 0.132	April 27, 2015
End of year	1,205,000	\$ 0.108	Mar. 28, 2017

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

⁽²⁾ Options are held by the estate of a former Director. The expiry dates were amended to be one year following the date of death.

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

	2014	2013
Dividend yield	Nil	Nil
Risk free interest rate (%)	1.93	1.34 ó 1.40
Expected stock volatility (%)	119.90	106.53 ó 107.26
Expected life (years)	5	5

(e) 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:

ZTEST Electronics Inc.**Notes to Consolidated Financial Statements**

(Stated in Canadian Dollars)

June 30, 2014 and 2013

8. Share Capital - continued**(e) Share based payment transactions and contributed surplus - continued**

	2014	2013
Contributed surplus, beginning of year	\$ 569,452	\$ 485,451
Compensation expense related to stock options granted	49,705	42,118
Stock options exercised	(5,338)	(54,030)
Dividends of PEC derecognized ⁽¹⁾	-	4,864
Conversion of Class A shares to common shares	-	91,049
Contributed surplus, end of year	\$ 613,819	\$ 569,452

⁽¹⁾ PEC declared dividends in the year 2000 of which a portion remained unpaid. The unpaid portion has been written off due to its age.

9. Related Party Transactions and Balances

In addition to key management personnel, the Company had transactions during the year and outstanding balances (*note 6*) at the end of the year with 1114377 Ontario Inc. (ö1114377ö), a company controlled by the spouse of a Director of the Company.

All expenses and year 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	2014	2013
Employee and consultant compensation ⁽¹⁾	\$ 329,715	\$ 319,913
Production wages ⁽¹⁾	3,569	500
Professional fees ⁽¹⁾	38,053	26,034
Interest expense ó long-term debt	18,150	12,309
Share issuance costs ⁽¹⁾	-	6,000
	\$ 389,487	\$ 364,756
Stock-based compensation ⁽¹⁾	\$ 49,705	\$ 42,118

⁽¹⁾ Transactions with key management personnel. As at June 30, 2014 \$51,722 (2013 - \$27,612) was payable to key management personnel and included in accounts payable and accrued liabilities.

10. Income Taxes**Current Income Taxes**

A reconciliation of combined federal and provincial corporate income taxes at the Company's effective tax rate of 26.50% (2013 ó 26.50%) is as follows:

	2014	2013
Net (loss) income before income taxes	\$ (18,579)	\$ 148,319
Income taxes at statutory rates	\$ (4,920)	\$ 39,300
Expenses not deductible for income tax purposes	11,460	16,620
Share issue expense deferred for income tax purposes	-	(4,820)
Change in tax benefits not recognized	(6,540)	(51,100)
Income tax expense (recovery)	\$ -	\$ -

Notes to Consolidated Financial Statements

(Stated in Canadian Dollars)

June 30, 2014 and 2013

10. Income Taxes - continued**Unrecognized Deferred Tax Assets**

Deferred income 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 income tax assets have not been recognized in respect of the following deductible temporary differences:

	2014	2013
Share issuance costs	\$ 19,460	\$ 38,690
Intangible assets	40,250	43,280
Property, plant and equipment	97,200	237,640
Resource related expenditures	349,050	349,050
Scientific research and experimental development	1,050,618	1,050,618
Non-capital loss carry forwards	1,273,700	2,280,030
Net capital loss carry forwards	15,592,989	15,592,989

Share issue costs expire from 2014 to 2017. The non-capital loss carry forwards expire from 2027 to 2034. The net capital loss carry forwards may be carried forward indefinitely, but can only be used to reduce capital gains. The remaining deductible temporary differences may be carried forward indefinitely. 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.

Tax Loss Carry-Forwards

The potential income tax benefits resulting from the application of income tax losses have not been recognized in these consolidated financial statements. The following losses include 100% of the respective losses of the subsidiary companies and will expire at the end of the taxation years as follows:

Year	
2027	\$ 209,770
2030	226,150
2031	577,960
2032	14,860
2033	76,560
2034	168,430
	<u>\$ 1,273,700</u>

The realization of these losses is potentially subject to verification by Canada Revenue Agency (CRA). CRA requested support for certain non-capital losses arising in 2010. The Company considers these losses to be under examination however they are excluded from the non-capital losses listed above, pending examination results.

11. Financial risk factors

The Company is exposed in varying degrees to a variety of 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 Company's 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. Bad debt experience has not been significant and it has been determined that no allowance is required as all amounts outstanding are considered collectible.

Concentration of credit risk

Concentration of credit risk arises when a significant portion of the financial assets subject to credit risk arise from a single or limited number of sources. During the current year, one of the Company's customers accounted for more than 20% (25%) of total revenue (2013 636%). Amounts due from this customer accounted for 9% of the Company's accounts receivable at June 30, 2014 (2013 - 24%). The loss of this customer or significant curtailment of purchases by such customer could have a material adverse effect on the Company's results of operations and financial condition. The Company monitors the relationship with this customer closely and ensures that every customer is subject to the same risk management criteria.

Notes to Consolidated Financial Statements

(Stated in Canadian Dollars)

*June 30, 2014 and 2013***11. Financial risk factors - continued****Liquidity risk**

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company has reported a working capital deficiency of \$92,087 (2013 - \$196,064). This includes financial liabilities (a specific long-term debt instrument plus preferred shares and dividends payable) with an aggregate carrying amount of \$776,792 (2013 - \$776,792) which are past due and for which the timing of future cash flows are undetermined. The Company manages its liquidity risk through the management of its capital (*note 12*) 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 Company's reputation.

Market risks

The Company is exposed to currency risk related to accounts receivable and accounts payable denominated in US dollars and the potential for future cash flows to fluctuate because of changes in foreign exchange rates. Currency risk is closely monitored but not actively managed. The Company has reported a foreign exchange gain of \$3,581 (2013 ó loss of \$18,775).

Sensitivity to market risks

At June 30, 2014 the Company had US\$99,330 (2013 óUS\$131,220) 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 \$5,325 in future cash inflow.

At June 30, 2014 the Company had US\$233,439 (2013 ó US\$186,818) 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 \$12,516 in future cash outflow.

The existence of both accounts receivable and accounts payable denominated in US\$ does not serve as a hedge with respect to currency risk.

Based upon observations of recent market trends management believes that each of these outcomes is possible but most likely exceed the Company's immediate market risk exposures.

12. Capital disclosures

The Company's 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.

	2014	2013
Long-term debt ⁽¹⁾	\$ 281,933	\$ 123,297
Share capital	22,343,053	22,330,215
Warrants	80,896	76,677
Contributed surplus	613,819	569,452
Deficit	(22,578,402)	(22,559,823)
Net capital under management	\$ 741,299	\$ 539,818

⁽¹⁾ Excludes long-term debts that are both secured by specific equipment and due to unrelated parties.

ZTEST Electronics Inc.

Notes to Consolidated Financial Statements

(Stated in Canadian Dollars)

June 30, 2014 and 2013

13. Selling, general and administrative expenses

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

	2014	2013
Employee and consultant compensation (<i>note 9</i>)	\$ 856,871	\$ 832,729
Insurance	33,694	25,021
Occupancy costs	264,970	258,703
Professional fees (<i>note 9</i>)	75,703	66,024
Regulatory fees	25,390	30,677
Other	50,419	45,887
	\$ 1,307,047	\$ 1,259,041

ZTEST Electronics Inc.

Management's Discussion and Analysis

For The Year Ended June 30, 2014

(Prepared as at October 28, 2014)

General

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of ZTEST Electronics Inc. ("ZTEST" or the "Company") constitutes management's review of the factors that affected the Company's consolidated financial and operating performance for the year ended June 30, 2014. The MD&A was prepared as of October 28, 2014 and was approved by the Board of Directors on October 28, 2014. It should be read in conjunction with the consolidated financial statements of the Company for the year ended June 30, 2014, 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

The Company operates a single business segment involving the design, development, and assembly of printed circuit boards. The management of the Company is comprised of the following individuals:

<u>Name</u>	<u>Position(s)</u>
Wojciech Drzazga	Director and CEO
John Perreault ⁽¹⁾	Director and President
K. Michael Guerreiro ^{(1) (2)}	Director
Mike Hiscott ^{(1) (2)}	Director
Michael D. Kindy	VP Finance & CFO
William R. Johnstone	Secretary

⁽¹⁾ Denotes member of audit committee

⁽²⁾ Denotes member of compensation committee

Mr. Arn Schoch was a Director of the Company until his death on April 27, 2014. The Board opted to not fill the vacancy that was created.

Corporate Performance

The 2014 fiscal year provided some positive results, as liquidity, total equity, total liabilities and net capital under management all improved. Not everything was positive however as profitability and cash flows from operations each declined.

In recent years the Company has placed a heavy emphasis on cash management and on the strategic utilization of available cash resources to reduce business risks. This has been accomplished through maximizing collections from customers, maintaining good credit relationships with suppliers, pledging cash security in support of bank financing, and the reduction and elimination of debt.

Everything begins with strong cash flows from operations and even though the 2014 cash flows from operations were not as strong as they were in 2013 they were still quite significant at \$271,859. The Company's exceptional collection record continued throughout 2014 with the realization of only \$3,169 in bad debts for the year and ending the year with no accounts receivable more than 60 days old and the expectation of 100% collection. The Company also continued its excellent working relationship with suppliers by fully utilizing but not exceeding their credit terms. Accounts payable did increase by \$29,085 during 2014 however this is primarily due to an increase of \$24,110 in amounts due to related parties, the majority of which was accrued and not yet invoiced to the Company at June 30, 2014.

Another aspect of cash management is determining the timing and extent to which a Company will invest cash resources into its future and determining the best source for that cash. The marketplace in which the Company operates is not only becoming more price sensitive but is also demanding more complex assemblies which include more, and often smaller, componentry. To efficiently satisfy and stay ahead of this market demand additional equipment was required, which in turn meant new financing was required. Initial efforts to obtain commercial financing were unsuccessful but related party financing in the amount of \$200,000 was negotiated and funded equipment purchases for the year in the amount of \$196,414.

ZTEST Electronics Inc.

Management's Discussion and Analysis

For The Year Ended June 30, 2014

(Prepared as at October 28, 2014)

The other aspect of cash management is managing the cash requirements associated with debt repayment in both the near and longer terms. Just prior to the end of the 2013 fiscal year the Company pledged a \$250,000 term deposit as additional security for its bank operating loan which allowed the cessation of an \$800 per month guarantee fee and a reduction in the effective interest rate on amounts borrowed from 10% to 3.5%. In July 2014 the term deposit was released from the pledge making \$250,000 available for cash management purposes. Although the recent release of this security did cause the interest rate on amounts borrowed to increase from 3.5% to 5.5% it also optimized the structure for appropriate working capital financing while simultaneously maximizing the amount of cash available for use.

Although the Company did not have access to the \$250,000 pledged term deposit throughout 2014 it was still able to repay \$374,836 in long term debt, including the retirement of two debentures. This repayment will not only avoid future interest charges but also served to reduce monthly debt payments from \$20,748 as required July 2013 to only \$6,420 required for July 2014, including the monthly interest payments that were required on the related party debt of \$200,000. Simultaneous with the release of the pledged term deposit the Company was also successful in finalizing the terms of new commercial financing to replace the \$200,000 in related party debt. This commercial debt provides an interest rate that is 4.25% lower than the related party debt and is repayable over 5 years while the related party debt was to be repaid over 3 years.

With the July 2014 improvements to working capital and long-term financing the Company now believes that it has achieved an appropriate financing structure that has significantly diminished the borrowing costs as well as the pressure on monthly cash flows. Efforts will continue to be made to maximize profitability and the resulting cash flows from operations and to utilize available cash resources strategically to minimize business risks and to maximize the value derived for its stakeholders.

The following data, prepared in accordance with International Financial Reporting Standards, may provide some additional insights relative to the Company's operating performance and financial position:

	For the fiscal years ended:				
	<u>June 14</u>	<u>June 13</u>	<u>June 12</u>		
Total Revenues	4,014,268	4,601,698	4,572,417		
Net income (loss) income from operations	(21,321)	141,007	390,936		
Per share - basic	(0.002)	0.017	0.055		
Net income (loss) for the year	(18,579)	148,319	392,778		
Per share - basic	(0.002)	0.018	0.056		
Total assets	2,098,100	2,176,189	2,340,853		
Total long-term financial liabilities	158,244	45,788	698,648		
Total liabilities	1,638,734	1,759,668	2,416,943		
	For the three month periods ended:				
	<u>June 14</u>	<u>Mar. 14</u>	<u>Dec. 13</u>	<u>Sept. 13</u>	<u>June 13</u>
Total Revenues	1,000,676	933,391	945,951	1,134,250	1,288,374
Net income (loss) from operations	(21,790)	(3,300)	(59,301)	63,070	81,609
Per share - basic	(0.002)	(0.000)	(0.006)	0.006	0.008
Net income (loss) for the period	(20,988)	(2,521)	(58,928)	63,858	83,815
Per share - basic	(0.002)	(0.000)	(0.006)	0.006	0.008
Total assets	2,098,100	2,190,139	1,859,824	2,102,184	2,176,189
Total long-term financial liabilities	158,244	177,893	18,830	32,498	45,788
Total liabilities	1,638,734	1,709,785	1,381,168	1,614,305	1,759,668

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

ZTEST Electronics Inc.

Management's Discussion and Analysis

For The Year Ended June 30, 2014

(Prepared as at October 28, 2014)

Corporate Performance - continued

	For the three month periods ended:				
	<u>Mar. 13</u>	<u>Dec. 12</u>	<u>Sept. 12</u>	<u>June 12</u>	<u>Mar. 12</u>
Total Revenues	1,127,445	1,113,223	1,072,656	1,289,855	1,483,588
Net income (loss) from operations	21,311	31,955	6,132	42,073	279,280
Per share - basic	0.003	0.004	0.004	0.006	0.040
Net income (loss) for the period	22,379	33,336	8,789	44,015	279,280
Per share - basic	0.003	0.005	0.004	0.006	0.040
Total assets	2,228,452	2,133,002	2,252,523	2,340,853	2,652,994
Total long-term financial liabilities	57,496	66,478	602,565	698,648	785,338
Total liabilities	2,036,126	2,141,525	2,299,246	2,416,943	2,773,099

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

Results of Operations

After having essentially broken even for the first nine months, the Company has reported a net loss from operations of \$21,321 and a net loss of \$18,579 for the 2014 fiscal year. Losses were reported in each of the last three fiscal quarters and these are the first quarterly and annual losses reported since the periods ended June 30, 2011. There are many factors that contribute to the Company's operating results and the highlights are discussed below.

Product sales for the final quarter of 2014 were \$1,000,676 raising the annual total to \$4,014,268. Although these sales figures are each lower than 2013 levels management contends that assembly volumes rose marginally while the majority of the declines are attributed to reduced materials sales associated with turnkey work. The other factor contributing to 2014 sales figures is a slight increase in market sensitivity to product pricing. Materials sales are not only dependent upon the volume of materials being sold but also on the underlying value of the individual materials being sold. While the Company may make suggestions with respect to materials specifications the product design, including the individual components to be used in product assembly, are entirely at the customer's discretion.

Gross margins rose from 33.91% of revenues in 2013 to 34.15% of revenues in 2014 however this higher percentage, applied to lower revenues, still translated into a decline of almost \$190,000 for the year. The 2014 gross margin percentage was not enhanced in the final quarter when the margins were 30.12% of sales. The gross margin percentages, when considered over short periods of time, can be favourably or adversely affected by temporary cost avoidance or increases. This was certainly the case in the final quarter of 2014 as the receipt and installation of new equipment contributed to higher depreciation and maintenance costs for the period, each of which is an element of the cost of product sales.

The different elements of cost of product sales, and the changes realized, are as follows:

Years ended	June 14	June 13	Change
Raw materials and supplies consumed	\$ 1,588,919	\$ 2,044,591	\$ (455,672)
Labour costs incurred	761,263	753,901	7,362
Depreciation	141,355	151,033	(9,678)
Other costs	138,285	125,700	12,585
Net change in finished goods and work in process	13,462	(33,878)	47,340
Total cost of product sales	\$ 2,643,284	\$ 3,041,347	\$ (398,063)

ZTEST Electronics Inc.

Management Discussion and Analysis

For The Year Ended June 30, 2014

(Prepared as at October 28, 2014)

Results of Operations - continued

Three month periods ended	June 14	June 13	Change
Raw materials and supplies consumed	\$ 402,125	\$ 579,970	\$ (177,845)
Labour costs incurred	203,776	201,323	2,453
Depreciation	49,695	37,977	11,718
Other costs	47,776	39,037	8,739
Net change in finished goods and work in process	(4,089)	(14,992)	10,903
Total cost of product sales	\$ 699,283	\$ 843,315	\$ (144,032)

As previously alluded to, the cost of raw materials and supplies consumed is down fairly substantially in 2014. The annual figure is down 22.3% and the final quarter is 34.6% lower than 2013 levels. The current year result is in contrast to 2013 and 2012 when the Company reported annual increases of 16% and 47% respectively. The Company experienced a significant surge in demand for turnkey services in the third quarter of its 2012 fiscal year. Prior to that time the cost of materials was consistently less than 50% of total cost of product sales, often significantly less. Even with the costs being lower in each of the six most recent quarters than they were in comparable period one year earlier they are still consistently more than 50% of costs of goods sold. The 2014 annual total represents 56.8% of the total cost of products sold and is still almost 46% higher than 2011 or pre-surge levels. The Company actively promotes turnkey assembly, which incorporates the procurement of components and supplies, as a cost-effective option for its customers and anticipates that material costs will continue to be a significant element of its cost of product sales going forward.

Labour costs, or the amounts expended upon labour, have remained very comparable throughout 2014 with the fourth quarter reflecting an increase of 1.2% in comparison to 2013 levels while the annual increase was marginally less than 1%. These results are consistent with expectations as the Company operated in each period with very comparable number of personnel.

The net change in finished goods and work in process is essentially a measurement of the change in labour costs that are included as an element of inventory. The amount of labour costs attributable to the products sold therefore is determined by adding this inventory change to the labour costs for the period. This indicates that aggregate labour charges were higher for the year and period ended June 30, 2014 than they were during the comparable periods in 2013. These higher costs are reflective of increased demand for labour during the 2014 fiscal year.

Depreciation costs are calculated as a percentage of the carrying value of equipment. Annual depreciation costs for 2014 are lower than they were in 2013 which is reflective of the fact that there had been no major equipment additions in recent years, at least until the fourth quarter. Throughout the 2014 fiscal year the Company had been investigating and negotiating the acquisition of equipment at a cost of approximately \$195,000. This equipment arrived during the third quarter of 2014, installation and set-up was completed, and the equipment was made operational during the final quarter. Depreciation expense is recorded only once machinery is operational and accordingly the expense rose during the fourth quarter of 2014. There are no major equipment additions currently being investigated or considered although management remains diligent in monitoring the equipment market for opportunities that could help to further increase productivity or profitability.

Other costs include repairs and maintenance, stencils and tooling, packaging, and freight costs net of amounts recovered. The quarterly and annual increase in 2014 are almost entirely attributable to increased repairs and maintenance costs as the Company took advantage of the opportunity presented when the new machinery became operational in the final quarter to complete servicing of other equipment. Each aspect of other costs is incurred on an as-needed basis without any specific correlation with revenues which can lead to fluctuations from one period to the next. Each of these costs is constantly monitored and is within management expectations so they will not be further elaborated upon.

ZTEST Electronics Inc.

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Results of Operations - continued

Selling, general and administrative expenses for the periods ended June 30 were as follows:

Years ended	June 14	June 13	Change
Employee and consultant compensation	\$ 856,871	\$ 832,729	\$ 24,142
Occupancy costs	264,970	258,703	6,267
Professional fees	75,703	66,024	9,679
Regulatory fees	25,390	30,677	(5,287)
Bad debts	3,169	-	3,169
Other costs	80,944	70,908	10,036
Total selling, general and administrative	\$ 1,307,047	\$ 1,259,041	\$ 48,006

Three month periods ended	June 14	June 13	Change
Employee and consultant compensation	\$ 214,920	\$ 250,731	\$ (35,811)
Occupancy costs	64,278	64,327	(49)
Professional fees	14,595	11,425	3,170
Regulatory fees	2,393	993	1,400
Bad debts	3,169	-	3,169
Other costs	18,907	15,770	3,137
Total selling, general and administrative	\$ 318,262	\$ 343,246	\$ (24,984)

Compensation costs rose by 2.9% for the year even though they declined by 14.3% in the final quarter in comparison to 2013 levels. During the fourth quarter of 2013 the Company retained two consultants, at an aggregate cost of \$32,000 for the quarter, to investigate potential new business opportunities. Although each of these consultants did continue their services into the 2014 year, at an aggregate cost of \$44,000, none of this cost arose in the fourth quarter. Also contributing to the annual cost increase was an \$8,000 increase in fees for services rendered by the Company's CFO and a \$5,000 increase in Directors' fees, each of which was incurred prior to the fourth quarter.

Occupancy costs consist primarily of rent and utility charges for the Company's operating facility plus the costs of security, cleaning and waste removal. The Company has leased its business premises until March 2021 so the base rent, which increased approximately \$2,250 year over year, will remain reasonably consistent on an annual basis. None of the other occupancy costs are subject to long-term agreements so will fluctuate in accordance with market prices and the Company's requirements.

Professional fees are comprised of the cost of legal services as well as the cost of the annual financial statement audit. Audit expenses have remained comparable between the 2013 and 2014 periods. Incremental legal costs include dealing with some governance and inter-corporate matters during the final quarter as well as the related party financing and prospective business matters which were dealt with earlier in the fiscal year.

Regulatory fees include all public disclosure, stock exchange and transfer agent fees incurred. During 2013 the Company completed a private placement and exchanged common shares for Class A shares thereby contributing to the higher costs in that year. The charges in the fourth quarter of 2014 include final regulatory costs associated with the related party financing that was completed in the preceding quarter.

The remaining elements of SG&A are individually insignificant and, in aggregate, represent less than 5% of total SG&A for the periods presented. These expenses are continuously monitored by management and do not warrant detailed investigation or elaboration.

ZTEST Electronics Inc.

Management's Discussion and Analysis

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Results of Operations - continued

Even though the Company put new financing in place to fund the acquisition of equipment the debt load, and the associated costs of financing, continues to decline. They are comprised of interest on long-term debt, other interest expense, and loan guarantee fees as follows:

Years ended	June 14	June 13	Change
Interest expense ó long term (cash based)	\$ 21,636	\$ 65,559	\$ (43,923)
Interest expense ó long term (accretion)	9,149	20,593	(11,444)
Interest expense ó other	4,614	596	4,018
Loan guarantee fees	-	8,800	(8,800)
Total financing expenses	\$ 35,399	\$ 95,548	\$ (60,149)

Three month periods ended	June 13	June 13	Change
Interest expense ó long term (cash based)	\$ 6,042	\$ 10,917	\$ (4,875)
Interest expense ó long term (accretion)	712	4,037	(3,325)
Interest expense ó other	1,497	149	1,348
Loan guarantee fees	-	1,600	(1,600)
Total financing expenses	\$ 8,251	\$ 16,703	\$ (8,452)

Interest expense ó long term consists of the interest amounts being paid (cash based) in accordance with the face value of long term debt instruments plus accretion of the difference between those face values and their carrying amounts. During the 2014 fiscal year the Company repaid \$374,836 in long-term debt thereby eliminating two debentures and reducing a term loan, each of which required the payment of interest and the recognition of accretion costs. In January 2014 two new term loans were added and they too required the payment of interest and the recognition of accretion costs however the aggregate cost of this new debt was lower than the aggregate cost of the debts repaid. In July 2014 the two new term loans were repaid in their entirety using the proceeds of a new commercial term loan. The commercial loan has a lower rate of interest than the debts that were repaid and will not result in the recognition of interest accretion. This is expected to contribute to a further reduction of long-term financing costs in the immediate future.

Interest expense ó other increased during 2014 due primarily to the Company having repaid a portion of one of the debentures with a short-term note. This note was then repaid, in full, prior to the end of the fiscal year but during the six month period that the note was outstanding the associated interest costs were included in other interest.

Throughout most of the 2013 fiscal year the Company's bank operating loan was secured, in part, by the personal guarantee of an unrelated individual. As compensation for providing the guarantee the individual received a fee of \$800 per month. That personal guarantee was removed in May 2013 when the Company pledged its own \$250,000 term deposit as additional security for the operating loan. In July 2014 the Company obtained the release of the \$250,000 term deposit and the operating loan is now secured by a general security agreement covering the assets of Permotech Electronics Corporation.

Liquidity

As at June 30, 2014 the Company reported a working capital deficiency of \$92,087 representing an improvement of \$103,977 for the year, including an improvement of \$4,291 in the final quarter. The deficiency includes \$776,792 in current liabilities that have been outstanding since June 2007, are not secured, bear no interest or other charges, and for which there are no immediate plans for settlement. Management does not consider the working capital deficiency to be a significant source of business risk and will continue to focus on maximizing cash flows as opposed to managing this deficiency.

ZTEST Electronics Inc.

Management's Discussion and Analysis

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Liquidity - continued

The Company utilizes long term debt as a means of financing new equipment acquisitions and of settling other obligations whenever suitable terms can be negotiated. The Company obtained new long-term financing in January of \$200,000, from related parties, to finance a new equipment purchase. This financing was replaced by a commercial term loan in July 2014. The Company's short-term financing requirements are expected to be met through a \$250,000 bank operating line of which \$25,000 was drawn as of June 30, 2014.

In addition to satisfying the cost of operations the Company must also address the payment or other settlement of the following amounts as at June 30, 2014:

	Due by June 2015	Due by June 2017	Due by June 2019	Due after June 2019	Total Due
Long-term debt ^(1,2,3)	\$ 83,007	\$ 78,986	\$ 78,986	\$ 3,290	\$ 244,269
Operating leases	<u>90,993</u>	<u>196,924</u>	<u>210,053</u>	<u>188,550</u>	<u>686,520</u>
Actively serviced obligations	<u>173,000</u>	<u>275,910</u>	<u>289,039</u>	<u>191,840</u>	<u>930,789</u>
Repurchase of preferred shares ^(4,5)	665,501	-	-	-	665,501
Settlement of dividends payable ⁽⁵⁾	263,337	-	-	-	263,337
Debenture ⁽⁵⁾	<u>39,600</u>	-	-	-	<u>39,600</u>
Past-due obligations	<u>968,438</u>	-	-	-	<u>968,438</u>
All obligations	<u>\$ 1,142,438</u>	<u>\$ 275,910</u>	<u>\$ 289,039</u>	<u>\$ 191,840</u>	<u>\$ 1,899,227</u>

⁽¹⁾ Amount excludes a debenture which was past due.

⁽²⁾ Long-term debt was altered July 2014 when the proceeds of a new 5-year term loan in the amount of \$197,463 were used to repay two terms loans, in their entirety, with aggregate face value of \$200,000 and for which no principal payments were due in July. The principal repayments listed above are reflective of the payments due after giving effect to the new term loan and the corresponding retirement.

⁽³⁾ Long-term debt includes one obligation for which the carrying value is lower than its face value. The financial statements as at June 30, 2014 report this obligation based upon its carrying values while the figures reported above represent the non-discounted cash payments to be made.

⁽⁴⁾ The repurchase price includes \$473,855 reported as a current liability plus \$191,646 in paid up capital that is reported as an element of share capital.

⁽⁵⁾ Amounts are past due, unsecured, bear no interest, and no settlement terms have been established.

Capital Resources

The Company has access to a \$250,000 revolving line of credit from its financial institution of which \$25,000 had been drawn upon as at June 30, 2014. At June 30, 2014 the loan, which is due upon demand, bore interest at the prime lending rate plus 0.5% and was secured by a \$250,000 term deposit and by a general security agreement covering the assets of Permtech Electronics Corporation. In July 2014 the TD Bank removed the requirement for the pledge of the \$250,000 term deposit and increased the interest rate to the prime lending rate plus 2.5%.

The Company negotiated new term financing, with related parties, in the aggregate amount of \$200,000. This debt bore interest at 9%, was repayable as to interest only for 10 months, and then repayable through fixed monthly payments over the ensuing 3 years to mature October 31, 2017. The lenders also received 400,000 share purchase warrants with each warrant entitling the holder to acquire one common share for \$0.10 until October 31, 2017. In July 2014 the TD Bank funded a new 5-year term loan which is unsecured, bears interest at the prime lending rate (currently 3.0%) plus 1.75%, matures July 2019, and is repayable in monthly principal payments of \$3,291 plus applicable interest. The proceeds of this loan were used to retire the \$200,000 in related party term loans.

During the year 75,000 stock options were exercised for aggregate proceeds of \$7,500.

ZTEST Electronics Inc.

Management's Discussion and Analysis

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Related Party Transactions

The Company has an outstanding loan payable to 1114377 Ontario Inc. (ø1114377ö), a company which is controlled by the spouse of Mr. W. Drzazga, the CEO and a Director of the Company. At its inception the loan provided the Company with cash for working capital purposes. The interest rate charged on the loan is consistent with the rates that were being charged to the Company by non-related parties for similar debts as at the date the loan originated.

As at June 30, 2014 the Company had outstanding term loans payable to 1114377 and to Mike Kindy, the Company's CFO. These loans were negotiated when commercial financing was not available to the Company. The proceeds were used to fund the acquisition and installation of equipment. The repayment terms included interest at 9%, a 10-month interest only period, and then a 3-year repayment term. The creditors also received 400,000 share purchase warrants with each warrant having an exercise price of \$0.10 and will expire on October 31, 2017, being the maturity date for the loans. In July 2014 the Company received \$197,463 from its bank under a 5-year term loan with interest at the TD Bank prime lending rate (currently 3.0%) plus 1.75%. The proceeds were used to retire the related party term loans.

The Company compensates its key management personnel for services rendered including salaries and benefits paid to the CEO and the President, consulting fees paid to the CFO, legal fees paid to a legal firm in which the Corporate Secretary is a partner, Directors' fees, and share-based payments. Compensation rates are agreed to by the key management personnel and are predicated upon prevailing market rates.

The following balances are due to related parties as at June 30 of each year:

	<u>2014</u>	<u>2013</u>
Loan payable to 1114377 Ontario Inc. at prime +8% ⁽¹⁾	46,806	85,935
Loan payable to 1114377 Ontario Inc. at 9% ⁽²⁾	150,000	-
Loan payable to the Company's CFO at 9% ⁽²⁾	50,000	-
Salaries and benefits payable ⁽³⁾	3,793	1,019
Consulting fees payable ⁽³⁾	44,800	24,602
Legal fees payable ⁽³⁾	3,129	1,991

⁽¹⁾ This is the face value of this obligation. It is reported in the consolidated financial statements at a discounted value. As additional compensation for having advanced these funds the creditor was granted an option that gives it the right to acquire a 24% interest in Permotech Electronics Corporation for \$200,000 on or before May 1, 2015.

⁽²⁾ Retired in July 2014 as described above.

⁽³⁾ Reported in the consolidated financial statements as an element of accounts payable and accrued liabilities. Aggregate value of \$51,722 (2013 - \$27,612)

The following expenses have arisen during the years ended June 30 as a result of transactions involving the related parties defined above:

	<u>2014</u>	<u>2013</u>
Salaries and benefits ⁽¹⁾	\$ 254,006	\$ 257,715
Production wages ⁽²⁾	3,569	500
Consulting fees ⁽¹⁾	40,609	32,348
Directors' fees ⁽¹⁾	35,100	29,850
Legal fees ⁽³⁾	38,053	26,034
Interest expense ó long term	18,150	12,309
Share issuance costs ⁽⁴⁾	-	6,000
Cash based expenditures	<u>\$ 389,487</u>	<u>\$ 364,756</u>
Share-based payments	<u>\$ 49,705</u>	<u>\$ 42,118</u>

⁽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 cost of goods sold.

⁽³⁾ Reported in the consolidated financial statements as an element of professional fees.

⁽⁴⁾ Fees charged by legal firm in which the Corporate Secretary is a partner.

ZTEST Electronics Inc.

Management's Discussion and Analysis

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Related Party Transactions - continued

The following stock options have been issued to Directors and/or Officers of the Company and were outstanding as at June 30, 2014:

<u>Description</u>	<u>Expiry Date</u>	<u>Number of Common shares</u>
Stock options @ \$0.10 per share ⁽¹⁾	Nov. 2015	275,000
Stock options @ \$0.10 per share ⁽²⁾	Sept. 2017	130,000
Stock options @ \$0.15 per share ⁽³⁾	Apr. 2015	200,000
Stock options @ \$0.10 per share ⁽³⁾	Apr. 2015	100,000
Stock options @ \$0.10 per share	Dec. 2018	500,000

⁽¹⁾ 25,000 options were exercised during the year leaving the above noted balance outstanding.

⁽²⁾ 50,000 options were exercised during the year leaving the above noted balance outstanding.

⁽³⁾ A director of the Company passed away April 27, 2014. In accordance with the terms of the option agreement his options are revised to set the expiry as one year following the date of death.

Convertible Instruments and Other Securities

The Company has the following securities issued and outstanding:

<u>Share capital</u>	<u>Quantity</u>	<u>Amount</u>
Common shares, June 30, 2013	10,573,696	\$ 22,330,215
Stock options exercised	75,000	7,500
Plus: value previously attributed to options		5,338
Common shares, June 30, 2014 and as at the date of this document	<u>10,648,696</u>	<u>\$ 22,343,053</u>

<u>Preferred shares</u>	<u>Quantity</u>	<u>Amount</u>
Series A preferred shares	166,667	\$ 160,000
Series C preferred shares	288,858	505,501
		665,501
Less: amount accounted for as paid in capital		<u>(191,646)</u>
Liability element of preferred shares at June 30, 2014 and as at the date of this document		<u>\$ 473,855</u>

In addition to the shares issued and outstanding the Company has issued share purchase warrants and stock options as incentives to various parties. The following list itemizes the common shares that have been reserved to satisfy the conversions and exercise of warrants and options along with the expiry date associated therewith.

<u>Shares reserved</u>	<u>Expiry Date</u>	<u>Number of Common shares</u>
Common shares to be issued for Class A shares ⁽¹⁾		8,246
Stock options @ \$0.15 per share	Apr. 2015	200,000
Stock options @ \$0.10 per share	Apr. 2015	100,000
Stock options @ \$0.10 per share	Nov. 2015	275,000
Warrants @ \$0.10 per share	Feb. 2016	1,100,000
Warrants @ \$0.10 per share	Mar. 2016	900,000
Stock options @ \$0.10 per share	Sept. 2017	130,000
Warrants @ \$0.10 per share	Oct. 2017	400,000
Stock options @ \$0.10 per share	Mar. 2018	500,000
Shares reserved as at June 30, 2014 and as at the date of this document		<u>3,613,246</u>

⁽¹⁾ During the 2013 fiscal year the shareholders approved the issuance of 99,454 common shares in exchange for the 1,193,442 Class A Special Shares then outstanding. 91,208 common shares have been issued to date, representing the entitlement of the Class A shareholders the Company was able to identify. The remaining common shares will be issued only in the event the remaining Class A shareholders identify themselves to the Company.

ZTEST Electronics Inc.

Management's Discussion and Analysis

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Convertible Instruments and Other Securities - continued

Fully diluted position

Shares issued	10,648,696
Shares reserved	<u>3,613,246</u>
Fully diluted position as at June 30, 2014 and as at the date of this document	<u>14,261,942</u>

Additional disclosures relative to stock options are as follows:

	<u>Common Shares Under Option</u>	<u>Weighted Average Price/Option</u>	<u>Weighted Average Expiry Date</u>
Balance, June 30, 2013	680,000	\$0.115	Jan. 20, 2017
Issued during the year	600,000	\$0.100	Dec. 31, 2018
Exercised during the year	(75,000)	\$0.100	Feb. 8, 2017
Amended during the year ⁽¹⁾	(300,000)	\$0.132	June 17, 2018
Amended during the year ⁽¹⁾	<u>300,000</u>	\$0.132	Apr. 27, 2015
Balance, June 30, 2014 and as at the date of this document	<u>1,205,000</u>	\$0.108	Mar. 28, 2017

All stock options have vested and are held by Directors, former Directors and Officers of the Company. The Company has no ability to cause these options to be exercised.

⁽¹⁾ Options are held by the estate of a former Director. The expiry dates were amended to be one year following the date of death.

Additional disclosures relative to share purchase warrants are as follows:

	<u>Number of Warrants</u>	<u>Weighted Average Price/Warrant</u>	<u>Weighted Average Expiry Date</u>
Balance, June 30, 2013	2,000,000	\$0.100	Feb. 26, 2016
Issued during the year	<u>400,000</u>	\$0.100	Oct. 31, 2017
Balance, June 30, 2014 and at the date of this document	<u>2,400,000</u>	\$0.100	June 7, 2016

Changes in Accounting Policy

The accounting policies followed by the Company are established in accordance with International Financial Reporting Standards (IFRS) and once policies are established they will not, as a matter of policy, be revised unless IFRS changes. The following changes in IFRS were adopted during the year without impact upon the amounts or disclosures presented in these consolidated financial statements:

IFRS 10, *Consolidated Financial Statements*, replaced the consolidation guidance in IAS 27, *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidation — Special Purpose Entities*, by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee.

IFRS 13, *Fair Value Measurement*, replaced the guidance on fair value measurement in existing IFRS accounting literature with a single standard. It defines and provides guidance on determining fair value and requires disclosures about fair value measurements, but does not change the requirements regarding which items are measured or disclosed at fair value.

IAS 28, *Investments in Associates and Joint Ventures*, amended in 2011, prescribes the accounting for investments in associates and establishes the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

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Accounting Standards Effective For Future Periods

IFRS 9, *Financial Instruments*: effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of the financial statements for their assessment of the amounts, timing and uncertainty of future cash flows. Management anticipates that this standard will be adopted in the Company's financial statements for the year beginning July 1, 2018 and has not yet considered the potential impact of its adoption.

IFRS 15, *Revenue from Contracts with Customers*: effective for annual periods beginning on or after January 1, 2017, with early adoption permitted, replaces existing revenue standards and interpretations with a single standard and provides additional guidance on revenue recognition for contracts with customers. Management anticipates that this standard will be adopted in the Company's financial statements for the year beginning July 1, 2017 and has not yet considered the potential impact of its adoption.

Financial Instruments

The Company's financial instruments are comprised of the following:

Financial assets:

Cash and cash equivalents
Restricted cash equivalents
Accounts receivable

Classification

Fair value through profit and loss
Fair value through profit and loss
Loans and receivables

Financial liabilities:

Bank operating loan
Accounts payable and accrued liabilities
Dividends payable
Preferred shares
Long-term debt

Classification

Other financial liabilities
Other financial liabilities
Other financial liabilities
Other financial liabilities
Other financial liabilities

Fair value through profit and loss:

Financial assets are designated as fair value through profit and loss if they were acquired principally for the purpose of selling in the short term. Fair value through profit and loss assets are recognized and carried at their fair value.

Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Other financial liabilities:

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the net carrying amount on initial recognition. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Impairment of financial assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the assets have been negatively impacted.

ZTEST Electronics Inc.

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Financial instruments - continued

Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in income for the period.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through income for the period to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of June 30, 2014 and 2013 cash and cash equivalents and restricted cash equivalents are measured at fair value and are classified within Level 1 of the fair value hierarchy.

Financial instruments recorded at amortized cost:

Financial instruments recorded at amortized cost on the consolidated statement of financial position are amortized using the market rates of interest prevailing at the inception of the financial instrument applied to expected future cash flows. The amortized cost is recomputed in the event that the underlying terms, and therefore the expected future cash flows, of the financial instrument are altered with any change in the amortized cost being charged to income of the period. Dividends payable and preferred shares are each carried at historical cost as the future cash flows cannot be reasonably estimated.

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 Company's 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 Company's 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 Company's business, operating results, and financial condition.

ZTEST Electronics Inc.

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Risk Factors - continued

In addition to the foregoing, the Company is exposed to credit risk, concentration of credit risk, liquidity risk, and currency risk. The Company's 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 Company's risks and the related exposure are consistent with its business objectives and risk tolerance. There have been no changes to the risk management strategies during the current year.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's 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. Bad debt experience has not been significant and it has been determined that no allowance is required as all amounts outstanding are considered collectible.

Concentration of credit risk

Concentration of credit risk arises when a significant portion of the financial assets subject to credit risk arise from a single or limited number of sources. During the current year, one of the Company's customers accounted for more than 20% (25%) of total revenue (2013 636%). Amounts due from this customer accounted for 9% of the Company's accounts receivable at June 30, 2014 (2013 - 24%). The loss of this customer or significant curtailment of purchases by such customer could have a material adverse effect on the Company's results of operations and financial condition. The Company monitors the relationship with this customer 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. The Company has reported a working capital deficiency of \$92,087 (2013 - \$196,064). This includes financial liabilities (a specific long-term debt instrument plus preferred shares and dividends payable) with an aggregate carrying amount of \$776,792 (2013 - \$776,792) which are past due and for which the timing of future cash flows are undetermined. The Company manages its liquidity risk through the management of its capital (*note 12*) 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 Company's reputation.

Market risks

The Company is exposed to currency risk related to accounts receivable and accounts payable denominated in US dollars and the potential for future cash flows to fluctuate because of changes in foreign exchange rates. Currency risk is closely monitored but not actively managed. The Company has reported a foreign exchange gain of \$3,581 (2013 6 loss of \$18,775).

Sensitivity to market risks

At June 30, 2014 the Company had US\$99,330 (2013 6US\$131,220) 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 \$5,325 in future cash inflow.

At June 30, 2014 the Company had US\$233,439 (2013 6 US\$186,818) 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 \$12,516 in future cash outflow.

The existence of both accounts receivable and accounts payable denominated in US\$ does not serve as a hedge with respect to currency risk.

Based upon observations of recent market trends management believes that each of these outcomes is possible but most likely exceed the Company's immediate market risk exposures.

ZTEST Electronics Inc.

Management's Discussion and Analysis

For The Year Ended June 30, 2014

(Prepared as at October 28, 2014)

Forward-looking Information

Certain statements in this MD&A may constitute "forward-looking" 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 "estimate", "believe", "anticipate", "intend", "expect", "plan", "may", "should", "will", 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 below under the heading "Risk Factors". 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.