

ZTEST Electronics Inc.

Unaudited Condensed Interim Consolidated Financial Statements

September 30, 2016

(Stated in Canadian Dollars)

Responsibility for Financial Statements

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

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

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors on November 28, 2016. They have not been reviewed by the Company's auditors.

ZTEST Electronics Inc.**Unaudited Condensed Interim Consolidated Statements of Financial Position**

(Stated in Canadian Dollars)

September 30, 2016

	Sept 30 2016	June 30 2016
Assets		
Current assets		
Cash and cash equivalents (note 3)	\$ 264,436	\$ 293,643
Accounts receivable	430,887	526,752
Inventories (note 4)	327,179	375,266
Prepaid expenses	18,494	14,781
	1,040,996	1,210,442
Lease deposit (note 8)	35,000	35,000
Equipment (note 5)	459,983	463,256
	\$ 1,535,979	\$ 1,708,698
Liabilities		
Current liabilities		
Customer deposits	\$ 461	\$ -
Accounts payable and accrued liabilities (note 10)	472,840	539,599
Current portion of long-term debt (note 7)	39,493	39,493
	512,794	579,092
Long-term debt (note 7)	72,403	82,276
	585,197	661,368
Commitment (note 8)		
Shareholders' Equity		
Share capital (note 9)	22,187,651	22,151,406
Warrants (note 9)	4,219	4,219
Contributed surplus (note 9)	936,082	952,327
Deficit	(22,177,170)	(22,060,622)
	950,782	1,047,330
	\$ 1,535,979	\$ 1,708,698

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

Approved by the Board:

Signed: "John Perreault"

Director

Signed: "Wojciech Drzazga"

Director

ZTEST Electronics Inc.**Unaudited Condensed Interim Consolidated Statement of Changes in Equity**

(Stated in Canadian Dollars)

September 30, 2016

	Share Capital	Warrants	Contributed Surplus	Deficit	Total
Balance, June 30, 2015	\$ 22,151,406	\$ 80,896	\$ 835,845	\$ (22,018,069)	\$ 1,050,078
Net loss for the period	-	-	-	(11,343)	(11,343)
Balance, September 30, 2015	22,151,406	80,896	835,845	(22,029,412)	1,038,735
Warrants expired	-	(76,677)	76,677	-	-
Share-based payments	-	-	39,805	-	39,805
Net loss for the period	-	-	-	(31,210)	(31,210)
Balance, June 30, 2016	22,151,406	4,219	952,327	(22,060,622)	1,047,330
Stock options exercised	36,245	-	(16,245)	-	20,000
Net loss for the period	-	-	-	(116,548)	(116,548)
Balance, September 30, 2016	\$ 22,187,651	\$ 4,219	\$ 936,082	\$ (22,177,170)	\$ 950,782

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

ZTEST Electronics Inc.

Unaudited Condensed Interim Consolidated Statements of Comprehensive Loss

(Stated in Canadian Dollars)

For the three month periods ended September 30

	2016	2015
Product sales	\$ 827,700	\$ 880,012
Cost of product sales (note 4)	612,133	563,731
	215,567	316,281
Expenses		
Selling, general and administrative (note 11)	328,305	322,586
Interest expense - long-term debt	1,304	1,758
Interest expense - other	138	152
Depreciation of equipment	1,435	830
Foreign exchange loss	980	3,021
	332,162	328,347
Loss before miscellaneous income and income taxes	(116,595)	(12,066)
Miscellaneous income	47	723
Loss before provision for income taxes	(116,548)	(11,343)
Provision for income taxes	-	-
Net loss and comprehensive loss for the period	\$ (116,548)	\$ (11,343)
Net loss per share		
Basic	\$ (0.01)	\$ (0.00)
Fully diluted	\$ (0.01)	\$ (0.00)
Weighted average shares outstanding		
Basic	10,756,305	10,648,696
Fully diluted	10,756,305	10,648,696

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

ZTEST Electronics Inc.

Unaudited Condensed Interim Consolidated Statements of Cash Flows

(Stated in Canadian Dollars)

For the three month periods ended September 30

	2016	2015
Cash flow from operating activities		
Net loss for the period	\$ (116,548)	\$ (11,343)
Items not involving cash		
Depreciation of equipment	23,355	27,302
Changes in non-cash working capital items:		
Accounts receivable	95,865	229,471
Inventories	48,087	(115,615)
Prepaid expenses	(3,713)	4,422
Customer deposits	461	(10,095)
Accounts payable and accrued liabilities	(66,759)	80,646
	<u>(19,252)</u>	<u>204,788</u>
Cash flow from investing activities		
Purchase of equipment	(20,082)	(1,424)
Cash flow from financing activities		
Repayment of long-term debt	(9,873)	(9,874)
Issuance of common shares	20,000	-
	<u>10,127</u>	<u>(9,874)</u>
(Decrease) increase in cash and cash equivalents	(29,207)	193,490
Cash and cash equivalents, beginning of period	293,643	112,409
Cash and cash equivalents, end of period	\$ 264,436	\$ 305,899

Supplemental Disclosure of Cash Flow Information:

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

Interest	\$ 1,468	\$ 1,949
Income taxes	\$ -	\$ -

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

ZTEST Electronics Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

September 30, 2016

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 Securities Exchange under the symbol "ZTE".

2. Significant Accounting Policies

Statement of compliance

The Company has prepared these unaudited condensed interim financial statements in accordance with IAS 34, *Interim Financial Reporting*, employing all of the same accounting policies and methods of computation as disclosed in the annual financial statements as at June 30, 2016.

The notes to these unaudited condensed interim consolidated financial statements are intended to provide a description of events and transactions that are significant to an understanding to the changes in the Company's financial position and performance since June 30, 2016. Certain disclosures that appear in the annual financial statements have not been reproduced in these unaudited condensed interim consolidated financial statements and, in this regard only, these unaudited condensed interim financial statements do not conform in all respects to the requirements of IFRS for annual consolidated financial statements. Accordingly, these unaudited condensed interim consolidated financial statements should only be read in conjunction with the annual financial statements as at June 30, 2016.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on November 28, 2016.

Basis of presentation

These unaudited condensed interim consolidated financial statements have been compiled by management on a historical cost basis using the accrual basis of accounting, except for cash flow information.

Basis of consolidation

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

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

Changes in accounting policies

The Company's accounting policies will typically change only when there is a relevant change in IFRS. There were no changes in IFRS during the current period that were required to be adopted by the Company.

Significant accounting judgments and estimates

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

Significant estimates and judgments include, but are not limited to, the recoverability of inventory and the recognition and valuation of deferred tax amounts.

ZTEST Electronics Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

September 30, 2016

2. Significant Accounting Policies - continued

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period.

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

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 September 30, 2016, and June 30, 2016 cash and cash equivalents are measured at fair value and are classified within Level 1 of the fair value hierarchy.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss.

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

Cash equivalents

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

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.

IFRS 15, *Revenue from Contracts with Customers*: effective for annual periods beginning on or after January 1, 2018, 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 these standards 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 their adoption.

3. Cash and cash equivalents

Cash and cash equivalents consist of cash and fully cashable short-term, interest bearing, deposits held at the Company's financial institution as follows:

	Sept 30 2016	June 30 2016
Cash	\$ 164,436	\$ 293,643
Short-term interest bearing deposits	100,000	-
	<u>\$ 264,436</u>	<u>\$ 293,643</u>

ZTEST Electronics Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

September 30, 2016

4. Inventories

The carrying value of inventory is comprised of:

	Sept 30 2016	June 30 2016
Raw materials and supplies ⁽¹⁾	\$ 299,913	\$ 354,015
Work in process	12,670	10,685
Finished goods	14,596	10,566
	\$ 327,179	\$ 375,266

⁽¹⁾ The raw materials and supplies is presented net of provisions for obsolete and/or slow moving items in the amount of \$6,721 (June 2016 - \$3,654).

Inventory utilization during the period was as follows:

	Sept 30 2016	Sept 30 2015
Raw materials and supplies used	\$ 395,764	\$ 373,004
Labour costs	158,803	160,750
Depreciation	21,920	26,472
Repairs and maintenance	18,655	2,996
Other costs	23,005	24,078
Net change in finished goods and work in process	(6,014)	(23,569)
Cost of product sales	\$ 612,133	\$ 563,731

5. Equipment

	Computer Equipment	Office Equipment	Manufacturing Equipment	Leasehold Improvements	Total
Cost:					
Balance, June 30, 2015	\$ 175,421	\$ 71,277	\$ 2,561,208	\$ 61,003	2,868,909
Additions	1,424	-	-	-	1,424
Balance, Sept 30, 2015	176,845	71,277	2,561,208	61,003	2,870,333
Additions	3,860	-	5,882	23,140	32,882
Balance, June 30, 2016	180,705	71,277	2,567,090	84,143	2,903,215
Additions	-	-	20,082	-	20,082
Balance, Sept 30, 2016	\$ 180,705	\$ 71,277	\$ 2,587,172	\$ 84,143	\$ 2,923,297
Accumulated Depreciation:					
Balance, June 30, 2015	\$ (168,548)	\$ (68,438)	\$ (2,030,332)	\$ (61,003)	\$ (2,328,321)
Depreciation	(553)	(205)	(26,544)	-	(27,302)
Balance, Sept 30, 2015	(169,101)	(68,643)	(2,056,876)	(61,003)	(2,355,623)
Depreciation	(2,302)	(613)	(80,264)	(1,157)	(84,336)
Balance, June 30, 2016	(171,403)	(69,256)	(2,137,140)	(62,160)	(2,439,959)
Depreciation	(697)	(101)	(21,978)	(579)	(23,355)
Balance, Sept 30, 2016	\$ (172,100)	\$ (69,357)	\$ (2,159,118)	\$ (62,739)	\$ (2,463,314)
Carrying Amounts:					
June 30, 2015	\$ 6,873	\$ 2,839	\$ 530,876	\$ -	\$ 540,588
September 30, 2015	\$ 7,744	\$ 2,634	\$ 504,332	\$ -	\$ 514,710
June 30, 2016	\$ 9,302	\$ 2,021	\$ 429,950	\$ 21,983	\$ 463,256
September 30, 2016	\$ 8,605	\$ 1,920	\$ 428,054	\$ 21,404	\$ 459,983

ZTEST Electronics Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

September 30, 2016

6. Bank operating loan

The Company has a line of credit, which can be drawn to a maximum of \$250,000, bears interest at the TD Bank prime lending rate plus 2.5%, is due upon demand, and is secured by a general security agreement covering the assets of PEC. No amounts were drawn upon this line of credit as at September 30, 2016 or June 30, 2016.

7. Long-Term Debt

	Sept 30 2016	June 30 2016
Term loan bearing interest at the TD Bank prime lending rate plus 1.75% matures July 2019. Monthly payments of \$3,291 plus interest are required until maturity.	\$ 111,896	\$ 121,769
Less: Current portion	39,493	39,493
	<u>\$ 72,403</u>	<u>\$ 82,276</u>
The minimum annual future principal repayments are as follows:		
2017		\$ 39,493
2018		39,493
2019		32,910
		<u>\$ 111,896</u>

8. Commitment

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 has been paid and will be at the end of the lease. Minimum monthly rental payments ranging from \$8,299 to \$8,979 are required over the remaining term of the lease as follows:

2017	\$ 101,631
2018	104,347
2019	107,064
2020	107,743
2021	53,871
	<u>\$ 474,656</u>

9. Share Capital

(a) Authorized

Unlimited Common shares

Unlimited Preferred shares in one or more series.

(b) Issued

	Sept 30 2016	June 30 2016
Common shares	\$ 22,187,651	\$ 22,151,406
Common shares	Number of Shares ⁽¹⁾	Amount
Balance June 30, 2015, September 30, 2015, and June 30, 2016	10,648,696	\$ 22,151,406
Common shares issued on exercise of stock options	300,000	36,245
Balance September 30, 2016	10,948,696	<u>\$ 22,187,651</u>

ZTEST Electronics Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

September 30, 2016

9. Share Capital - continued

⁽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.

(c) Details of warrants outstanding are as follows:

	Number of Warrants	Amount
Balance June 30, 2015, and September 30, 2015	2,400,000	\$ 80,896
Warrants expired	(2,000,000)	(76,677)
Balance June 30, 2016 and September 30, 2016	400,000	\$ 4,219

	Number of Warrants	Exercise Price	Expiry Date
Issued Jan 10, 2014	400,000	\$ 0.10	Oct. 31, 2017

No warrants were issued during the periods ended September 30, 2016 or September 30, 2015.

(d) Details of options outstanding are as follows:

	Common Shares Under Option	Number of Options Vested	Exercise Price	Expiry Date
Granted Sept. 14, 2012	130,000 ⁽¹⁾	130,000	\$ 0.10	Sept. 14, 2017
Granted December 31, 2013	400,000 ⁽¹⁾	400,000	\$ 0.10	Dec. 31, 2018
Granted Mar. 3, 2016	800,000 ⁽¹⁾	800,000	\$ 0.05	Mar. 3, 2021

	Common Shares Under Option	Weighted Average Price per Option	Weighted Average Expiry Date
Balance, beginning of the period	1,630,000	\$ 0.07	Mar. 23, 2020
Exercised during period	(300,000)	\$ 0.07	June 11, 2020
Balance, end of the period	1,330,000	\$ 0.07	Mar. 5, 2020

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

No options were granted during the periods ended September 30, 2016 or September 30, 2015.

(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:

	Sept 30 2016	June 30 2016
Contributed surplus, beginning of period	\$ 952,327	\$ 835,845
Stock options exercised	(16,245)	-
Compensation expense related to stock options granted	-	39,805
Warrants expired during the year	-	76,677
Contributed surplus, end of period	\$ 936,082	\$ 952,327

ZTEST Electronics Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

September 30, 2016

10. Related Party Transactions and Balances

In addition to, The Company had transactions during the period with key management personnel.

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

Description	Sept 30 2016	Sept 30 2015
Employee and consultant compensation ⁽¹⁾	\$ 98,607	\$ 82,110
Professional fees ⁽¹⁾	10,247	7,701
	<u>\$ 108,854</u>	<u>\$ 89,811</u>
Stock-based compensation	\$ -	\$ -

⁽¹⁾ Transactions with key management personnel. As at September 30, 2016 there was a balance of \$143,847 (June 30, 2016 - \$131,816) included in accounts payable and accrued liabilities that was payable to key management personnel.

11. Selling, general and administrative expenses

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

	Sept 30 2016	Sept 30 2015
Employee and consultant compensation (note 10)	\$ 219,495	\$ 198,204
Occupancy costs	67,441	71,154
Professional fees (note 10)	19,453	16,982
Shareholder services	2,661	15,894
Insurance	7,471	8,253
Other	11,784	12,099
	<u>\$ 328,305</u>	<u>\$ 322,586</u>

12. Income Taxes

Deferred Tax

The following table summarizes the components of deferred tax:

	Sept 30 2016	June 30 2016
Deferred tax assets:		
Non-capital losses carried forward	\$ 22,188	\$ 23,040
Deferred tax liabilities:		
Property, plant and equipment	(22,188)	(23,040)
Net deferred tax liabilities	<u>\$ -</u>	<u>\$ -</u>

Unrecognized Deferred Tax Assets

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

ZTEST Electronics Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

September 30, 2016

12. Income Taxes - continued

	Sept 30 2016	June 30 2016
Inventory	\$ 6,721	\$ 3,654
Share issuance costs	3,638	3,638
Intangible assets	34,813	34,813
Property, plant and equipment	35,027	34,969
Resource related expenditures	349,050	349,050
Scientific research and experimental development	1,050,618	1,050,618
Net capital loss carry forwards	1,343,946	1,340,731
Non-capital loss carry forwards	15,592,989	15,592,989

Share issue costs expire in 2017. 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.

13. Financial risk factors

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The 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. It has been determined that no allowance is required, as all amounts outstanding are considered collectible, and no bad debts were recorded in the period ended September 30, 2016 or the fiscal year ended June 30, 2016.

Concentration of credit risk

Concentration of credit risk arises when one or more customers, defined as a major customer, individually account for 10% or more of the Company's revenues during a reporting period. During the current period the Company had 2 major customers which represented 14% and 11% of total revenues. In the comparative period, there were 3 major customers representing 13%, 13% and 11% of revenues. Amounts due from major customers represented 40% of accounts receivable at September 30, 2016 (Sept 2015 - 18%). The loss of a major customer, or significant curtailment of purchases by such customer, could have a material adverse effect on the Company's results of operations and financial condition. The Company monitors the relationship with all customers closely and ensures that every customer is subject to the same risk management criteria.

Market risks

The Company is exposed to interest rate risk due to obligations that have floating interest rates as well as currency risk related to cash, accounts receivable and accounts payable denominated in US dollars. Market risks give rise to the potential for future cash flows to fluctuate because of changes in interest rates or foreign exchange rates. Market risks are closely monitored and attempts are made to match foreign cash inflows and outflows. During the current fiscal period the Company has reported a foreign exchange loss of \$980 (Sept. 2015 ó loss of \$3,021).

Sensitivity to market risks

At Sept. 30, 2016, the Company had \$111,896 (June 30, 2016 \$121,769) which bears interest at the TD Bank prime lending rate plus 1.75%. A 1% increase in the TD Bank prime lending rate as at the financial reporting date would result in additional interest expense of \$937 over the next 12-month period.

At Sept. 30, 2016, the Company had US\$106,740 (June 30, 2016 US\$86,796) included in accounts receivable. A 5% increase in the value of the Canadian dollar relative to the US dollar would result in a reduction of \$1,698 in future cash inflow.

ZTEST Electronics Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(Stated in Canadian Dollars)

September 30, 2016

13. Financial risk factors - continued

Sensitivity to market risks - continued

At Sept. 30, 2016, the Company had US\$85,309 (June 30, 2016 6US\$114,725) 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 \$1,357 in future cash outflow.

At Sept. 30, 2016, the Company had US\$2,930 (June 30, 20166US\$51,935) included in cash. A 5% increase in the value of the Canadian dollar relative to the US dollar would result in a reduction of \$49 in carrying value.

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.

14. 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.

	Sept 30 2016	June 30 2016
Long-term debt	\$ 111,896	\$ 121,769
Share Capital	22,187,651	22,151,406
Warrants	4,219	4,219
Contributed surplus	936,082	952,327
Deficit	(22,177,170)	(22,060,622)
Net capital under management	\$ 1,062,678	\$ 1,169,099