

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **June 30, 2019**

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

From _____ to _____

ELECTRONIC SYSTEMS TECHNOLOGY, INC.

(Exact name of registrant as specified in its charter)

Washington

(State or other jurisdiction of incorporation)

000-27793

(Commission File Number)

91-1238077

(IRS Employer Identification No.)

415 N. Quay St. Bldg B1 Kennewick WA

(Address of principal executive offices)

99336

(Zip Code)

(509) 735-9092

(Registrant's telephone number, including area code)

N/A

(Former name, former address & former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(g) of the Act:

| Title of Each Class | Trading Symbol(s) | Name of Each Exchange on Which Registered |
|---------------------------------|--------------------------|--|
| Common Stock, \$0.001 par value | ELST | OTCQB |

Indicate by check mark whether the registrant (1) has filed all documents and reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filings for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer

Non-Accelerated Filer

Accelerated Filer

Small Reporting Company

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of July 12, 2019, the number of the Company's shares of common stock par value \$0.001, outstanding was 4,946,502.

**PART I
FINANCIAL INFORMATION**

Item 1. Financial Statements

ELECTRONIC SYSTEMS TECHNOLOGY, INC.
BALANCE SHEETS
(Unaudited)

| | June 30, 2019 | December 31, 2018 |
|---|------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 225,330 | \$ 323,667 |
| Certificates of deposit | 900,000 | 900,000 |
| Accounts receivable, net | 137,865 | 57,156 |
| Inventories | 649,020 | 714,995 |
| Prepaid expenses | 25,816 | 21,353 |
| Accrued interest receivable | 6,804 | 13,300 |
| Total current assets | 1,944,835 | 2,030,471 |
| Property and equipment, net of depreciation | 16,383 | 20,368 |
| Right to use – Lease, net of amortization (NOTE 6) | 65,782 | - |
| Total assets | \$ 2,027,000 | \$ 2,050,839 |
| LIABILITIES and STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$ 57,173 | \$ 71,257 |
| Refundable deposits | 2,225 | 10,310 |
| Accrued wages and bonus | 1,933 | 2,138 |
| Accrued vacation pay | 16,454 | 11,449 |
| Lease liability, current (NOTE 6) | 52,569 | - |
| Other accrued liabilities | 6,225 | 2,514 |
| Total current liabilities | 136,579 | 97,668 |
| Lease liability, long-term (NOTE 6) | 13,214 | - |
| Total liabilities | 149,793 | 97,668 |
| Stockholders' equity | | |
| Common stock, \$0.001 par value 50,000,000 shares authorized 4,946,502 and 4,985,048 shares issued and outstanding respectively | 4,947 | 4,986 |
| Additional paid-in capital | 929,159 | 944,040 |
| Retained earnings | 943,101 | 1,004,145 |
| Total stockholders' equity | 1,877,207 | 1,953,171 |
| Total liabilities and stockholders' equity | \$ 2,027,000 | \$ 2,050,839 |

See Notes to Financial Statements

ELECTRONIC SYSTEMS TECHNOLOGY, INC.
STATEMENTS OF OPERATIONS
(Unaudited)

| | Three Months Ended June 30, 2019 | Three Months Ended June 30, 2018 | Six Months Ended June 30, 2019 | Six Months Ended June 30, 2018 |
|--|--|--|--------------------------------------|--------------------------------------|
| SALES - NET | \$ 395,262 | \$ 471,914 | \$ 769,428 | \$ 779,741 |
| COST OF SALES | (189,458) | (214,615) | (365,374) | (378,197) |
| GROSS PROFIT | <u>205,804</u> | <u>257,299</u> | <u>404,054</u> | <u>401,544</u> |
| Operating Expenses | | | | |
| General and administrative | 69,188 | 65,347 | 162,694 | 148,160 |
| Research and development | 51,478 | 30,791 | 116,952 | 91,427 |
| Marketing and sales | 97,224 | 96,684 | 197,207 | 205,004 |
| TOTAL OPERATING EXPENSE | <u>217,890</u> | <u>192,822</u> | <u>476,853</u> | <u>444,591</u> |
| OPERATING INCOME (LOSS) | (12,086) | 64,477 | (72,799) | (43,047) |
| OTHER INCOME | | | | |
| Interest income | 5,867 | 4,401 | 11,755 | 8,132 |
| TOTAL OTHER INCOME | <u>5,867</u> | <u>4,401</u> | <u>11,755</u> | <u>8,132</u> |
| NET INCOME (LOSS) BEFORE INCOME TAX | (6,219) | 68,878 | (61,044) | (34,915) |
| Benefit (provision) for income tax | - | - | - | - |
| NET INCOME (LOSS) | <u>\$ (6,219)</u> | <u>\$ 68,878</u> | <u>\$ (61,044)</u> | <u>\$ (34,915)</u> |
| Basic and diluted earnings per share | <u>\$0.00</u> | <u>\$0.01</u> | <u>(\$0.01)</u> | <u>(\$0.01)</u> |
| Weighted average shares used in computing income (loss) per share: | | | | |
| Basic average shares | 4,946,502 | 4,986,048 | 4,949,754 | 4,986,048 |
| Diluted average shares | <u>4,946,502</u> | <u>4,994,212</u> | <u>4,949,754</u> | <u>4,986,048</u> |

See Notes to Financial Statements

ELECTRONIC SYSTEMS TECHNOLOGY, INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

| | Six Months Ended | |
|---|-------------------|-------------------|
| | June 30, 2019 | June 30, 2018 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ (61,044) | \$ (34,915) |
| Noncash items included in net loss: | | |
| Depreciation | 3,985 | 5,538 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | (80,709) | (72,465) |
| Inventories | 65,974 | 125,255 |
| Accrued interest receivable | 6,495 | (238) |
| Prepaid expenses | (4,462) | (2,011) |
| Accounts payable | (14,084) | 10,720 |
| Refundable deposits | (8,085) | (3,937) |
| Other accrued liabilities | 8,513 | 716 |
| NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES | (83,417) | (28,663) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Certificates of deposit redeemed | 900,000 | 250,000 |
| Certificates of deposit purchased | (900,000) | (100,000) |
| NET CASH PROVIDED FROM INVESTING ACTIVITIES | - | 150,000 |
| CASH FLOWS USED IN FINANCING ACTIVITIES: | | |
| Repurchase of shares of common stock | (14,920) | - |
| NET CASH USED IN FINANCING ACTIVITIES | (14,920) | - |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | (98,337) | 178,663 |
| Cash and cash equivalents at beginning of period | 323,667 | 208,101 |
| Cash and cash equivalents at end of period | \$ 225,330 | \$ 386,764 |

See Notes to Financial Statements

ELECTRONIC SYSTEMS TECHNOLOGY, INC.
DBA ESTEEM WIRELESS MODEMS

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)

| | Shares | Amount | Additional Paid-In Capital | Retained Earnings | Total |
|----------------------------------|-----------|----------|----------------------------------|----------------------|--------------|
| Balances, January 1, 2018 | 4,986,048 | \$ 4,986 | \$ 944,161 | \$ 1,120,244 | \$ 2,069,391 |
| Net Income/(Loss) | - | - | - | (103,793) | (103,793) |
| Balance at March 31, 2018 | 4,986,048 | \$ 4,986 | \$ 944,161 | \$ 1,016,451 | \$ 1,965,598 |
| Net Income/(Loss) | - | - | - | 68,878 | 68,678 |
| Balance at June 30, 2018 | 4,986,048 | \$ 4,986 | \$ 944,161 | \$ 1,085,329 | \$ 2,034,476 |
| Balances, January 1, 2019 | 4,985,748 | \$ 4,986 | \$ 944,040 | \$ 1,004,145 | \$ 1,953,171 |
| Net Income/(Loss) | - | - | - | (54,825) | (54,825) |
| Common stock repurchased | (39,246) | (39) | (14,881) | - | (14,920) |
| Balance at March 31, 2019 | 4,946,502 | \$ 4,947 | \$ 929,159 | \$ 943,320 | \$ 1,883,426 |
| Net Income/(Loss) | - | - | - | (6,219) | (6,219) |
| Balance at June 30, 2019 | 4,946,502 | \$ 4,947 | \$ 929,159 | \$ 943,101 | \$ 1,877,207 |

See Notes to Financial Statements

ELECTRONIC SYSTEMS TECHNOLOGY, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

The financial statements, including notes, of Electronic Systems Technology, Inc. (the "Company") are representations of the Company's management, which is responsible for their integrity and objectivity. The accompanying unaudited financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information, as well as the instructions to Form 10-Q. Accordingly, the financial statements do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, the accompanying unaudited financial statements contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of its financial position as of June 30, 2019, and its results of operations, cash flows, and changes in stockholders' equity for the three months and six months ended June 30, 2019 and 2018. The balance sheet at December 31, 2018 was derived from audited annual financial statements but does not contain all of the footnote disclosures from the annual financial statements. All amounts presented are in U.S. dollars. For further information, refer to the financial statements and footnotes thereto in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

The results of operations for the three month and six month period ended June 30, 2019 are not necessarily indicative of the results expected for the full fiscal year or for any other fiscal period. The Company estimates that for 2019 the anticipated effective annual federal income tax rate will be 0%.

Accounting Standards Updates Adopted

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02 Leases (Topic 842). The update modifies the classification criteria and requires lessees to recognize the assets and liabilities on the balance sheet for most leases. The update is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company adopted the update on January 1, 2019. Upon implementation of the new guidance, the Company recognized a liability and right-of-use asset of \$91,637 as of January 1, 2019 for its one operating lease. The Company elected the transition option to apply the new guidance at the effective date without adjusting comparative periods presented. (See Note 6).

Accounting Standards Updates to Become Effective in Future Periods

In August 2018, the FASB issued ASU No. 2018-13 Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. The update removes, modifies and makes additions to the disclosure requirements on fair value measurements. The update is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Company is currently evaluating the impact of this update on our fair value measurement disclosures.

Other accounting standards that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the financial statements upon adoption.

ELECTRONIC SYSTEMS TECHNOLOGY, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 2 - INVENTORIES

Inventories are stated at lower of direct cost or net realizable value with cost determined using the FIFO (first in, first out) method. Inventories consist of the following:

| | June 30, 2019 | December 31, 2018 |
|-------------------|------------------|----------------------|
| Parts | \$ 128,030 | \$ 133,809 |
| Work in progress | 205,817 | 243,081 |
| Finished goods | 315,173 | 338,105 |
| Total inventories | \$ 649,020 | 714,995 |

NOTE 3 - EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share excludes dilution and is computed by dividing income (loss) available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted earnings (loss) per share reflects potential dilution occurring if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. At June 30, 2019 and 2018, the Company had 120,000 outstanding stock options, respectively, that could have a dilutive effect on future periods' net income. However, diluted earnings per share are not presented because their effect would be antidilutive due to Company's losses.

NOTE 4 - STOCK OPTIONS

As of June 30, 2019, the Company had outstanding stock options which have been granted periodically to individual employees and directors with no less than three years of continuous tenure with the Company. The Board of Directors did not issue stock options during the six month period ended June 30, 2019.

A summary of option activity during the quarter ended June 30, 2019 is as follows:

| | Number Outstanding | Weighted-Average Exercise Price Per Share | Weighted-Average Remaining Life (Years) | Approximate Aggregate Intrinsic Value |
|---|-----------------------|---|---|---|
| Outstanding and Exercisable at December 31, 2018 | 120,000 | \$0.40 | | |
| Granted | - | - | | |
| Expired | - | - | | |
| Outstanding and Exercisable at June 30, 2019 | 120,000 | \$0.40 | 1.1 | - |

NOTE 5 – REVENUE

The Company product revenue includes industrial wireless products and accessories such as antennas, power supplies and cable assemblies. The Company also provides direct site support and engineering services to customers, such as repair and upgrade of its products. During the three month period ended June 30, 2019 and 2018, the Company's revenue from products sales were \$367,062 and \$463,629, respectively. Revenue from site support and engineering services was \$28,200 and \$8,285 respectively, over the same periods. Year to date sales from products decreased to \$736,451 as compared to \$769,193 as of June 30, 2019 and 2018. Revenue from site support and engineering services for the six months ended June 30, 2019 and 2018, was \$32,977 and \$10,548, respectively.

ELECTRONIC SYSTEMS TECHNOLOGY, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 5 – REVENUE (Cont.)

The Company’s customers, to which trade credit terms are extended, consist of United States and local governments and foreign and domestic companies. Domestic sales for the three month period ended June 30, 2019 were \$337,679 compared to \$446,589 in 2018. Sales to foreign customers for the three month period ended June 30, 2019 were \$57,583 compared to \$25,325 in 2018.

For the three month period ended June 30, 2019, sales to three customers represented more than 10% of total revenue, three customers represented more than 10% of total revenue for the same period in 2018.

| | 2019 Sales | 2019 %age of Total Sales | 2018 Sales | 2018 %age of Total Sales |
|---------------------|------------|--------------------------|------------|--------------------------|
| Domestic customer A | 40,362 | 10% | 128,202 | 27% |
| Domestic customer B | 39,569 | 10% | 73,093 | 15% |
| Domestic customer C | 37,725 | 10% | 55,211 | 12% |

For the six month period ended June 30, 2019, sales to two customers represented more than 10% of total revenue, one customer represented more than 10% of total revenue for the same period in 2018.

| | 2019 Sales | 2019 %age of Total Sales | 2018 Sales | 2018 %age of Total Sales |
|---------------------|------------|--------------------------|------------|--------------------------|
| Domestic customer A | 122,503 | 16% | 197,044 | 25% |
| Domestic customer B | 79,950 | 10% | | |

As of June 30, 2019 and 2018, the Company had a sales order backlog of \$3,307 and \$425, respectively.

NOTE 6 - LEASES

In February 2016, the FASB issued ASU No. 2016-02 Leases (Topic 842). The update modifies the classification criteria and requires lessees to recognize the assets and liabilities on the balance sheet for most leases. The update is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company implemented this standard effective January 1, 2019. Upon implementation of the new guidance, the Company recognized a liability and right-of-use asset of \$91,637 as of January 1, 2019 for its one operating lease. To calculate the liability and right to use asset, the Company utilized a 4.0% incremental borrowing rate to discount the future rent payments and remaining lease term of 1.75 years.

The Company leases its facilities from a port authority for \$5,542 per month for three years, expiring in September 2020, with annual increases based upon the Consumer Price Index.

The original lease was effective October 1, 2014 and contained a three year renewal option and a provision for an annual increase of 2% per year, plus Leasehold Tax of 12.84%. On September 5, 2017, the Company exercised the three year option. The first year of this option was not subject to the 2% increase. The current lease does not contain the option to extend the lease. However, the Company believes that a new lease agreement will be signed prior to the expiration of the current lease. At June 30, 2019, the remaining lease term is 1.25 years

ELECTRONIC SYSTEMS TECHNOLOGY, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 6 – LEASES (Cont.)

For the three month and six month periods ended June 30, 2019 and 2018, lease expenses of \$16,627 and \$16,335, and \$33,254 and \$32,670 respectively, are included in the following expense classifications on the statement of operations:

| | Three Months ended June 30, 2019 | Three Months ended June 30, 2018 | Six Months ended June 30, 2019 | Six Months ended June 30, 2018 |
|----------------------------|--|--|--------------------------------------|--------------------------------------|
| Cost of sales | \$ 3,325 | \$ 3,267 | \$ 6,650 | \$ 6,534 |
| General and administrative | 3,325 | 3,267 | 6,650 | 6,534 |
| Research and development | 3,325 | 3,267 | 6,650 | 6,534 |
| Marketing and sales | 6,652 | 6,534 | 13,304 | 13,068 |
| Total | \$ 16,627 | \$ 16,335 | \$ 33,254 | \$ 32,670 |

As of June 30, 2019, total future lease payments are as follows:

| | |
|----------------------------------|------------------|
| For the 12 months ended June 30, | |
| 2019 | \$ 29,728 |
| 2020 | 44,981 |
| Total | <u>74,709</u> |
| Less imputed interest | <u>(8,927)</u> |
| Net lease liability | 65,782 |
| Current portion | <u>52,569</u> |
| Long-term portion | <u>\$ 13,214</u> |

NOTE 7 – STOCK REPURCHASE

On January 13, 2016, the Company’s Board of Directors approved a resolution authorizing the repurchase of up to \$100,000 of the Company’s common stock at the price of \$0.38 per share. The Company’s share repurchase program does not obligate it to acquire any specific number of shares. On March 2, 2016, the Company’s Board of Director approved a resolution authorizing the repurchase of an additional \$150,000 of the Company’s common stock at the price of \$0.38 per share. Under the program (the “Stock Repurchase Plan”), shares may be repurchased in open market transactions, complying with Rule 10b5-1 and Rule 10b-18 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Shares repurchased are retired. During the three month period ended June 30, 2019 and 2018, no shares were repurchased. During the six month period ended June 30, 2019, the Company repurchased 39,246 shares for \$14,920; no shares were repurchased in the six month period ended June 30, 2018. Since inception of the Stock Repurchase Plan, the Company has repurchased 212,165 shares for a total of \$80,622 through June 30, 2019 and \$169,378 of the original \$250,000 approved by the board remains.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Management's discussion and analysis is intended to be read in conjunction with the Company's unaudited financial statements and the integral notes thereto for the quarter ended June 30, 2019. The following statements may be forward looking in nature and actual results may differ materially.

A. RESULTS OF OPERATIONS

REVENUES: Total revenues from sales decreased to \$395,262 for the second quarter of 2019 as compared to \$471,914 in the second quarter of 2018, reflecting a decrease of 16%. Management believes the decrease in sales revenues is due to decreased domestic sales during first quarter of 2019 when compared with the same quarter of 2018. Year to date total revenues from sales decreased to \$769,428 in 2019 as compared to \$779,741 in 2018, reflecting a decrease of 1%. Management believes the decrease in sales revenues is due to decreased domestic sales during first half of 2019 when compared with the same period of 2018.

The Company's revenues have historically fluctuated from quarter to quarter due to timing factors such as product shipments to customers, customer order placement, customer buying trends, and changes in the general economic environment. The procurement process regarding plant and project automation, or project development, which usually surrounds the decision to purchase ESTeem products, can be lengthy. This procurement process may involve bid activities unrelated to the ESTeem products, such as additional systems and subcontract work, as well as capital budget considerations on the part of the customer. Because of the complexity of this procurement process, forecasts with regard to the Company's revenues are difficult to predict.

A percentage breakdown of the Company's market segments of Domestic and Foreign Export sales for the three and six month periods ended June 30, 2019 and 2018 are as follows:

| | Three Months ended June 30, 2019 | Three Months ended June 30, 2018 | Six Months ended June 30, 2019 | Six Months ended June 30, 2018 |
|----------------|--|--|--------------------------------------|--------------------------------------|
| Domestic Sales | 85% | 95% | 82% | 96% |
| Export Sales | 15% | 5% | 18% | 4% |

BACKLOG:

As of June 30, 2019, the Company had a sales order backlog of \$3,307. The Company's customers generally place orders on an "as needed basis". Shipment for most of the Company's products is generally made within 1 to 5 working days after receipt of customer orders, with the exception of ongoing, scheduled projects, and custom designed equipment.

COST OF SALES:

Cost of sales percentages for the second quarters of 2019 and 2018 were 46% and 45% of respective net sales and are calculated excluding site support expenses of \$20,096 and \$6,561 respectively. The cost of sales percentage decrease in the second quarter of 2019 is the result of the product mix sold during the same quarter of 2018. Cost of sales percentages for the six month periods ended June 30, 2019 and 2018 were 46% and 48% of respective net sales and are calculated excluding site support expenses of \$23,622 and \$7,813 respectively. The cost of sales percentage decrease in the second quarter of 2019 is the result of the product mix sold during the same period of 2018.

OPERATING EXPENSES:

Operating expenses for the second quarter of 2019 increased \$25,068 from second quarter of 2018 levels. The following is a delineation of operating expenses:

| | Three Months Ended | | | Six Month Ended | | |
|----------------------------|--------------------|------------------|------------------------|------------------|------------------|------------------------|
| | June 30, 2019 | June 30, 2018 | Increase (Decrease) | June 30, 2019 | June 30, 2018 | Increase (Decrease) |
| General and administrative | \$ 69,188 | \$ 65,347 | \$ 3,841 | \$ 162,694 | \$ 148,160 | \$ 14,534 |
| Research and development | 51,478 | 30,791 | 20,687 | 116,952 | 91,427 | 25,525 |
| Marketing and sales | 97,224 | 96,684 | 540 | 197,207 | 205,004 | (7,797) |
| Total operating expenses | \$ 217,890 | \$ 192,822 | \$ 25,068 | \$ 476,853 | \$ 444,591 | \$ 32,262 |

General and administrative: For the second quarter of 2019, general and administrative expenses increased \$3,841 to \$69,188, due to increased wages and professional services when compared with the same quarter of 2018. For the six month period, general and administrative expenses increased by \$14,534 to \$162,694, due to increased wages, professional services and proxy related expenses.

Research and development: Research and development expenses increased \$20,687 to \$51,478 during the second quarter of 2019 due to increased expenses related to payroll and prototype build costs when compared with the same quarter of 2018. For the six month period, research and development expenses increased by \$25,525 to \$116,952, due to increased wages and prototype build costs.

Marketing and sales: During the second quarter of 2019, marketing and sales expenses increased \$540 to \$97,224 when compared with the same period of 2018, due to decreased payroll and increased travel expense related to sales efforts during the second quarter of 2018. For the six month period, marketing and sales expenses decreased by \$7,797 to \$197,207, due to decreased wages and an increase in travel and trade shows.

INTEREST INCOME:

The Company earned \$5,867 in interest income during the quarter ended June 30, 2019 and \$11,755 for the six month period. Sources of this income were money market accounts and certificates of deposit.

NET LOSS:

The Company had a net loss of \$6,219 for the second quarter of 2019 compared to net income of \$68,878 for the same quarter of 2018. For the six-month period ended June 30, 2018, the Company recorded a net loss of \$61,044 compared with a net loss of \$34,915 for the same period of 2018. The increase in net loss during 2019 is the result of decreased sales revenues, and increased operating expenses.

B. FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Corporation's current asset to current liabilities ratio at June 30, 2019 was 14.2 compared to 20.8 at December 31, 2018. The decrease in current ratio is due to the current portion of lease liability at June 30, 2019 as compared to December 31, 2018.

At June 30, 2019, the Company had cash and cash equivalents of \$225,330 as compared to cash and cash equivalent of \$323,667 at December 31, 2018, primarily reflecting cash used in operating activities.

Cash used in operating activities increased by \$54,754 for the six-month period ended June 30, 2019 when compared to the same period in 2018. The increase is attributable net loss for the period being \$26,129 greater than

the same period in 2018. In addition, more cash was utilized in paying accounts payable during the period as compared to prior year

Net cash provided from investing was \$0 due to the repurchase of CD's maturing during the second quarter of 2019. Cash used in financing activities was \$14,920 for the repurchase of the Company's common stock during the six month period ended June 30, 2019.

In management's opinion, the Company's cash and cash equivalents and other working capital at June 30, 2019 is sufficient to satisfy requirements for operations, capital expenditures, and other expenditures as may arise during 2019.

FORWARD LOOKING STATEMENTS: *The above discussion may contain forward looking statements that involve a number of risks and uncertainties. In addition to the factors discussed above, among other factors that could cause actual results to differ materially are the following: competitive factors such as rival wireless architectures and price pressures; availability of third party component products at reasonable prices; inventory risks due to shifts in market demand and/or price erosion of purchased components; change in product mix, and risk factors that are listed in the Company's reports and registration statements filed with the Securities and Exchange Commission.*

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to its stockholders.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There is no established market for trading the common stock of the Company. The market for the Company's common stock is limited, and as such shareholders may have difficulty reselling their shares when desired or at attractive market prices. The Common Stock is not regularly quoted in the automated quotation system of a registered securities system or association. Our common stock, par value \$0.001 per share, is quoted on the OTC Markets Group QB (OTCQB) under the symbol "ELST". The OTCQB is a network of security dealers who buy and sell stock. The dealers are connected by a computer network which provides information on current "bids" and "asks" as well as volume information. The OTCQB is not considered a "national exchange". The "over-the-counter" quotations do not reflect inter-dealer prices, retail mark-ups commissions or actual transactions. The Company's common stock has continued to trade in low volumes and at low prices. Some investors view low-priced stocks as unduly speculative and therefore not appropriate candidates for investment. Many institutional investors have internal policies prohibiting the purchase or maintenance of positions in low-priced stocks.

Item 4. Controls and Procedures

An evaluation has been performed under the supervision and with the participation of our management, including our Chief Executive Officer and Principal Accounting Officer, of the effectiveness of the design and the operation of our "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) under the Securities Exchange Act of 1934) as of June 30, 2019. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have determined that there was a material weakness affecting our internal control over financial reporting and, as a result of that weakness, our disclosure controls and procedures were not effective as of June 30, 2019.

The material weakness is as follows:

We did not maintain effective controls to ensure appropriate segregation of duties as the same officer and employee was responsible for the initiating and recording of transactions, thereby creating segregation of duties weaknesses. Due to the (1) significance of segregation of duties to the preparation of reliable financial statements; (2) the significance of potential misstatement that could have resulted due to the deficient controls; and, (3) the absence of sufficient other mitigating controls; we determined that this

control deficiency resulted in more than a remote likelihood that a material misstatement or lack of disclosure within the annual or interim financial statements will not be prevented or detected.

Changes in Internal Control Over Financial Reporting

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 2. Unregistered Sales of Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

On June 25, 2019, Molex opted to terminate the MDA that was executed on June 13, 2017 and an 8K filed on June 17, 2017. Sales for neither party were material. The Company had immaterial expenses related to this agreement and had not invested any capital resources to fulfill its obligations to the agreement.

Item 6. Exhibits

| EXHIBIT NUMBER | DESCRIPTION |
|---------------------------|--|
| 31.1 | Section 302 Certification, CEO |
| 31.2 | Section 302 Certification, CFO |
| 32.1 | Section 906 Certification, CEO |
| 32.2 | Section 906 Certification, CFO |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ELECTRONIC SYSTEMS TECHNOLOGY, INC.

By: /s/ Michael W. Eller

Date: July 29, 2019

Name: Michael W. Eller
Title: President
(Principal Executive Officer)

By: /s/ Michael W. Eller

Date: July 29, 2019

Name: Michael W. Eller
Title: President
(Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, Michael Eller, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Electronic Systems Technology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Michael Eller
Michael Eller
President
(Chief Executive Officer)
Date: July 29, 2019

A signed original of this written statement has been provided to the registrant and will be retained by the registrant to be furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 31.2

CERTIFICATION

I, Michael Eller, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Electronic Systems Technology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Michael Eller

Michael Eller

President

Principal Accounting Officer

Date: July 29, 2019

A signed original of this written statement has been provided to the registrant and will be retained by the registrant to be furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.1 – CEO Certification

CERTIFICATION

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. 1350)

In connection with the quarterly report of Electronic Systems Technology Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Eller, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael Eller
Michael Eller
President
(Chief Executive Officer)
Date: July 29, 2019

This certification is being furnished to the Securities and Exchange Commission as an exhibit to the Quarterly Report and shall not be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended; and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

A signed original of this written statement has been provided to the Registrant and will be retained by the Registrant to be furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2 – CFO Certification

CERTIFICATION

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. 1350)

In connection with the quarterly report of Electronic Systems Technology Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Eller, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael Eller
Michael Eller
President
(Principal Accounting Officer)
Date: July 29, 2019

This certification is being furnished to the Securities and Exchange Commission as an exhibit to the Quarterly Report and shall not be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.; and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

A signed original of this written statement has been provided to the Registrant and will be retained by the Registrant to be furnished to the Securities and Exchange Commission or its staff upon request.