

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 **September 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 October 11, 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)

	September 30, 2019	December 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 199,615	\$ 323,667
Certificates of deposit	800,000	900,000
Accounts receivable, net	171,253	57,156
Inventories	711,647	714,995
Prepaid expenses	21,882	21,353
Accrued interest receivable	9,992	13,300
Total current assets	1,914,389	2,030,471
Property and equipment, net of depreciation	14,390	20,368
Right to use – Lease, net of amortization (NOTE 6)	52,855	-
Total assets	\$ 1,981,634	\$ 2,050,839
LIABILITIES and STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 12,505	\$ 71,257
Refundable deposits	2,070	10,310
Accrued wages and bonus	3,664	2,138
Accrued vacation pay	16,146	11,449
Lease liability, current (NOTE 6)	52,855	-
Other accrued liabilities	5,418	2,514
Total current liabilities	92,658	97,668
Total liabilities	92,658	97,668
Stockholders' equity		
Common stock, \$0.001 par value 50,000,000 shares authorized 4,946,502 and 4,985,748 shares issued and outstanding respectively	4,947	4,986
Additional paid-in capital	929,159	944,040
Retained earnings	954,870	1,004,145
Total stockholders' equity	1,888,976	1,953,171
Total liabilities and stockholders' equity	\$ 1,981,634	\$ 2,050,839

See Notes to Financial Statements

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

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
SALES - NET	\$ 371,915	\$ 299,003	\$ 1,141,343	\$ 1,078,744
COST OF SALES	(163,041)	(142,138)	(528,415)	(520,335)
GROSS PROFIT	<u>208,874</u>	<u>156,865</u>	<u>612,928</u>	<u>558,409</u>
Operating Expenses				
General and administrative	64,756	67,171	227,450	215,330
Research and development	48,445	42,965	165,397	134,392
Marketing and sales	89,414	85,121	286,621	290,125
TOTAL OPERATING EXPENSE	<u>202,615</u>	<u>195,257</u>	<u>679,468</u>	<u>639,847</u>
OPERATING INCOME (LOSS)	6,259	(38,392)	(66,540)	(81,438)
OTHER INCOME				
Interest income	5,510	4,857	17,265	12,988
TOTAL OTHER INCOME	<u>5,510</u>	<u>4,857</u>	<u>17,265</u>	<u>12,988</u>
NET INCOME (LOSS) BEFORE INCOME TAX	11,769	(33,535)	(49,275)	(68,450)
Benefit (provision) for income tax	-	-	-	-
NET INCOME (LOSS)	<u>\$ 11,769</u>	<u>\$ (33,535)</u>	<u>\$ (49,275)</u>	<u>\$ (68,450)</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>4,951,273</u>	<u>4,986,048</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)

	Nine Months Ended	
	September 30, 2019	September 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (49,275)	\$ (68,450)
Noncash items included in net loss:		
Depreciation	5,978	8,307
Changes in operating assets and liabilities:		
Accounts receivable, net	(114,097)	(17,332)
Inventories	3,348	111,791
Accrued interest receivable	3,308	(4,442)
Prepaid expenses	(529)	(16,567)
Accounts payable	(58,752)	41,014
Refundable deposits	(8,240)	(3,937)
Other accrued liabilities	9,127	(2,079)
NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES	(209,132)	48,305
CASH FLOWS FROM INVESTING ACTIVITIES:		
Certificates of deposit redeemed	1,800,000	100,000
Certificates of deposit purchased	(1,700,000)	
NET CASH PROVIDED FROM INVESTING ACTIVITIES	100,000	100,000
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	(124,052)	148,305
Cash and cash equivalents at beginning of period	323,667	208,101
Cash and cash equivalents at end of period	\$ 199,615	\$ 356,406

See Notes to Financial Statements

ELECTRONIC SYSTEMS TECHNOLOGY, INC.

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
Net Income/(Loss)	-	-	-	(33,535)	(33,535)
Balance at September 30, 2018	4,986,048	\$ 4,986	\$ 944,161	\$ 1,051,794	\$ 2,000,941
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
Net Income/(Loss)	-	-	-	11,769	11,769
Balance at September 30, 2019	4,946,502	\$ 4,947	\$ 929,159	\$ 954,870	\$ 1,888,976

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 September 30, 2019, and its results of operations, cash flows, and changes in stockholders' equity for the three months and nine months ended September 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 nine month period ended September 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:

	September 30, 2019	December 31, 2018
Parts	\$ 127,049	\$ 133,809
Work in progress	289,679	243,081
Finished goods	294,919	338,105
Total inventories	\$ 711,647	\$ 714,995

NOTE 3 - EARNINGS (LOSS) PER SHARE

Basic and diluted earnings per share are calculated by dividing net income (loss) by the weighted average number of common shares outstanding—basic and diluted. For the nine month period ending September 30, 2019 and the three and nine month periods ending September 30, 2018, all outstanding stock options (Note 4) were excluded from the computation of diluted loss per share because they were anti-dilutive due to net losses in those periods. For the three month period ending September 30, 2019, the calculation of the weighted average number of common shares outstanding—diluted included the common stock equivalents of the outstanding stock options.

NOTE 4 - STOCK OPTIONS

As of September 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 nine month period ended September 30, 2019.

A summary of option activity during the quarter ended September 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 September 30, 2019	120,000	\$0.40	1.1	\$2,400

NOTE 5 – REVENUE

The Company’s product revenues are derived from sales of 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 September 30, 2019 and 2018, the Company’s revenues from products sales were \$369,615 and \$293,154, respectively. Revenues from site support and engineering services were \$2,300 and \$5,849 respectively, over the same periods. As of September 30, 2019, year to date sales from products increased to \$1,106,066 as compared to \$1,062,346 as of September 30, 2019 and 2018. Revenues from site support and engineering services for the nine months ended September 30, 2019 and 2018, were \$35,277 and \$16,398, 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 September 30, 2019 were \$348,419 compared to \$271,976 in 2018. Sales to foreign customers for the three-month period ended September 30, 2019 were \$23,496 compared to \$27,027 in 2018. Domestic sales for the nine-month period ended September 30, 2019 were \$978,290 compared to \$1,021,153 in 2018. Sales to foreign customers for the nine-month period ended September 30, 2019 were \$163,053 compared to \$57,591 in 2018.

For the three-month period ended September 30, 2019, sales to two 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 % of Total Sales	2018 Sales	2018 % of Total Sales
Domestic customer A	\$70,035	20%	\$43,616	15%
Domestic customer B	\$44,341	12%		

For the nine-month period ended September 30, 2019, sales to one customer 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 % of Total Sales	2018 Sales	2018 % of Total Sales
Domestic customer A	152,450	13%	240,659	22%

As of September 30, 2019 and 2018, the Company had a sales order backlog of \$6,691 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 September 30, 2019, the remaining lease term is one year.

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

NOTE 6 – LEASES (Cont.)

For the three month and nine-month periods ended September 30, 2019 and 2018, lease expenses of \$16,627 and \$16,335, and \$49,880 and \$49,005 respectively, are included in the following expense classifications on the statement of operations:

	Three Months ended September 30, 2019	Three Months ended September 30, 2018	Nine Months ended September 30, 2019	Nine Months ended September 30, 2018
Cost of sales	\$ 3,325	\$ 3,267	\$ 9,976	\$ 9,801
General and administrative	3,325	3,267	9,976	9,801
Research and development	3,325	3,267	9,976	9,801
Marketing and sales	6,652	6,534	19,952	19,602
Total	<u>\$ 16,627</u>	<u>\$ 16,335</u>	<u>\$ 49,880</u>	<u>\$ 49,005</u>

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

For the 12 months ended September 30,	
2019	\$ 14,993
2020	<u>44,981</u>
Total	59,974
Less imputed interest	<u>(7,119)</u>
Net lease liability	52,855
Current portion	<u>52,855</u>
Long-term portion	<u>\$ -</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 September 30, 2019 and 2018, no shares were repurchased. During the nine-month period ended September 30, 2019, the Company repurchased 39,246 shares for \$14,920; no shares were repurchased in the nine month period ended September 30, 2018. Since inception of the Stock Repurchase Plan, the Company has repurchased 212,165 shares for a total of \$80,622 through September 30, 2019 and \$169,378 of the original \$250,000 approved by the board remains to be utilized for share repurchases.

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 September 30, 2019. The following statements may be forward looking in nature and actual results may differ materially.

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.*

A. RESULTS OF OPERATIONS

REVENUES: Total revenues from sales increased to \$371,915 for the third quarter of 2019 as compared to \$299,003 in the third quarter of 2018, reflecting an increase of 24%. Management believes the increase in sales revenues is due to increased domestic sales during third quarter of 2019 when compared with the same quarter of 2018. Year to date total revenues from sales increased to \$1,141,343 in 2019 as compared to \$1,078,744 in 2018, reflecting an increase of 6%. Management believes the increase in sales revenues is due to increased foreign sales demand, driven by larger automation projects during nine-month period ended September 30, 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 nine-month periods ended September 30, 2019 and 2018 are as follows:

	Three Months ended September 30, 2019	Three Months ended September 30, 2018	Nine Months ended September 30, 2019	Nine Months ended September 30, 2018
Domestic Sales	94%	91%	86%	95%
Export Sales	6%	9%	14%	5%

BACKLOG:

As of September 30, 2019, the Company had a sales order backlog of \$6,991. 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 third quarters of 2019 and 2018 were 44% and 47% of respective net sales. The cost of sales percentage decrease in the third quarter of 2019 is the result of the product mix sold during the same quarter of 2018. Cost of sales percentages for the nine-month periods ended September 30, 2019 and 2018 were 46% and 48% of respective net sales. The cost of sales percentage decrease in the third quarter of 2019 is the result of the product mix sold during the same period of 2018.

OPERATING EXPENSES:

Operating expenses for the third quarter and the first nine months of 2019 increased from third quarter of 2018 levels. The following is a delineation of operating expenses:

	Three Months Ended			Nine Month Ended		
	September 30, 2019	September 30, 2018	Increase (Decrease)	September 30, 2019	September 30, 2018	Increase (Decrease)
General and administrative	\$ 64,756	\$ 67,171	\$ (2,415)	\$ 227,450	\$ 215,330	\$ 12,120
Research and development	48,445	42,965	5,480	165,397	134,392	31,005
Marketing and sales	89,414	85,121	4,293	286,621	290,125	(3,504)
Total operating expenses	<u>\$ 202,615</u>	<u>\$ 195,257</u>	<u>\$ 7,358</u>	<u>\$ 679,468</u>	<u>\$ 639,847</u>	<u>\$ 39,621</u>

General and administrative: For the third quarter of 2019, general and administrative expenses decreased \$2,415 to \$64,756, due to decreased professional services when compared with the same quarter of 2018. For the nine-month period, general and administrative expenses increased by \$12,120 to \$227,450, due to increased wages and professional services.

Research and development: Research and development expenses increased \$5,480 to \$48,445 during the third quarter of 2019 due to increased expenses related to payroll and decreased prototype build costs when compared with the same quarter of 2018. For the nine-month period, research and development expenses increased by \$31,005 to \$165,397, due to increased wages and prototype build costs.

Marketing and sales: During the third quarter of 2019, marketing and sales expenses increased \$4,293 to \$89,414 when compared with the same period of 2018, due to decreased payroll and increased travel expense related to sales efforts during the third quarter of 2018. For the nine-month period, marketing and sales expenses decreased by \$3,504 to \$286,621, due to decreased wages and an increase in travel and trade shows in 2018.

INTEREST INCOME:

The Company earned \$5,510 in interest income during the quarter ended September 30, 2019 and \$17,265 for the nine-month period. Sources of this income were money market accounts and certificates of deposit.

NET LOSS:

The Company had net income of \$11,769 for the third quarter of 2019 compared to net loss of \$33,535 for the same quarter of 2018. For the nine-month period ended September 30, 2019, the Company recorded a net loss of \$49,275 compared with a net loss of \$68,450 for the same period of 2018. The decrease in net loss during 2019 is the result of increased sales revenues and increased operating expenses offset by increase in interest income.

B. FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Corporation's current asset to current liabilities ratio at September 30, 2019 was 20.7 compared to 20.8 at December 31, 2018. The decrease in current ratio is due to the current portion of lease liability at September 30, 2019 as compared to December 31, 2018.

At September 30, 2019, the Company had cash and cash equivalents of \$199,615 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 \$257,438 for the nine-month period ended September 30, 2019 when compared to the same period in 2018. The increase is attributable to more cash being utilized in paying accounts payable during the period as compared to prior year, an increase of \$99,766. The change in accounts receivable increased by \$96,765 during the same period as compared to the prior year.

Cash provided from investing was \$100,000 due to the net redemption of CD's maturing during the first nine months of 2019. Cash used in financing activities was \$14,920 for the repurchase of the Company's common stock during the nine-month period ended September 30, 2019.

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

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 September 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 September 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: October 25, 2019

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

By: /s/ Michael W. Eller

Date: October 25, 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: October 25, 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: October 25, 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 September 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: October 25, 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 September 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: October 25, 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.