

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

**INFORMATION CIRCULAR  
MANAGEMENT SOLICITATION**

**SOLICITATION OF PROXIES**

This Management Information Circular (the “Circular”) is furnished in connection with the solicitation of proxies by and on behalf of the management (the “Management”) of ZTEST Electronics Inc. (the “Corporation”) for use at the Annual General Meeting of Shareholders (the “Meeting”) of the Corporation to be held at the offices of Gardiner Roberts LLP located at 22 Adelaide Street West, Suite 3600, Toronto, Ontario, M5H 4E3, at the hour of 1:00 o’clock in the afternoon (Toronto time), on Tuesday, the 8<sup>th</sup> day of January, 2019, for the purposes set out in the accompanying Notice of Meeting. The cost of solicitation will be borne by the Corporation.

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

**NOTICE-AND-ACCESS**

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

Notice-and-access allows issuers to post electronic versions of meeting materials, including circulars, annual financial statements and management discussion and analysis, online, via SEDAR and one other website, rather than mailing paper copies of such meeting materials to Shareholders. The Corporation anticipates that utilizing the notice-and-access process will substantially reduce both postage and printing costs.

The Corporation has posted the Circular, the Corporation’s audited financial statements for the years ended June 30, 2018 and 2017 (the “Annual Financial Statements”) and the Corporation’s management discussion and analysis for the year ended June 30, 2018 (the “Annual MD&A”) on the websites [www.ztest.com](http://www.ztest.com) and [www.sedar.com](http://www.sedar.com).

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

Notice-and-Access Shareholders will not receive a paper copy of the Meeting Materials unless they contact TSX Trust Company (“TSX Trust”) in which case TSX Trust will mail the requested materials within three business

days following receipt of any request provided the request is made prior to the Meeting. Notice-and-Access Shareholders with questions about notice-and-access may contact TSX Trust toll free at 1-866-393-4891 or the Corporation's investor relations department by e-mail at [info@ztest.com](mailto:info@ztest.com). **Requests for paper copies of the Meeting Materials must be received at least five (5) business days in advance of the proxy deposit date and time set out below, being 1:00 p.m. on, Thursday, December 27, 2018, in order to receive the Meeting Materials in advance of the proxy deposit date and Meeting.**

#### **APPOINTMENT AND REVOCATION OF PROXIES**

The persons named in the form of proxy or voting instruction form are officers or Directors of the Corporation (the "Management Designees"). **A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON, WHO NEED NOT BE A SHAREHOLDER OF THE CORPORATION, TO REPRESENT HIM OR HER AT THE MEETING MAY DO SO** by inserting such other person's name in the blank space provided in the form of proxy or voting instruction form and depositing the completed proxy with the Transfer Agent of the Corporation, **TSX Trust Company, 100 Adelaide Street West, Suite 301, Toronto, Ontario, M5H 4H1**. A proxy can be executed by the Shareholder or his attorney duly authorized in writing, or, if the Shareholder is a corporation, under its corporate seal by an officer or attorney thereof duly authorized.

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

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

#### **DEPOSIT OF PROXY**

By resolution of the Directors duly passed, **ALL PROXIES TO BE USED AT THE MEETING MUST BE DEPOSITED BY 1:00 P.M. (TORONTO TIME) ON FRIDAY, JANUARY 4, 2018, BEING NOT LESS THAN FORTY EIGHT (48) HOURS, EXCLUDING SATURDAYS, SUNDAYS AND STATUTORY HOLIDAYS, PRECEDING THE DATE OF THE MEETING, OR ANY ADJOURNMENT THEREOF, WITH THE TRANSFER AGENT OF THE CORPORATION, TSX TRUST COMPANY**, provided that a proxy may be delivered to the Chairman of the Meeting on the day of the Meeting or any adjournment thereof prior to the time for voting to revoke a proxy previously delivered in accordance with the foregoing.

#### **ADVICE TO NON-REGISTERED SHAREHOLDERS**

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

The Corporation has decided to use Notice-and-Access in accordance with the requirement of NI 54-101 to deliver the Meeting Materials to Shareholders by posting the Meeting Materials on the Corporation's website on [www.ztest.com](http://www.ztest.com) or on <https://docs.tsxtrust.com/2088>. The Meeting Materials will be available on the websites on or

before **December 7, 2018**, and will remain on the websites for a full year thereafter. The Meeting Materials will also be available on the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com). The Corporation will only be mailing the Notice-and-Access Notification to Non-Registered Holders as set out below.

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

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

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

*Non-Registered Shareholders who are NOBOs may make their request for paper copies of the Meeting Materials without charge by calling TSX Trust toll free at 1-866-393-4891 or the Corporation's investor relations department by e-mail at [info@ztest.com](mailto:info@ztest.com) on or before the day of the Meeting, or any adjournment thereof, or thereafter contact the Corporation at 416-297-5155 or by email at [info@ztest.com](mailto:info@ztest.com).*

**Requests for paper copies of the Meeting Materials must be received at least six (6) business days in advance of the proxy deposit date and time set out above, being 1:00 p.m. on Wednesday, December 26, 2018, in order to receive the Meeting Materials in advance of the proxy deposit date and Meeting.**

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

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

- a) be given a form of proxy which has already been signed by the Intermediary (typically by a facsimile stamped signature), which is restricted as to the number and class of securities beneficially owned by the Non-Registered Holder but which is not otherwise completed. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Holder when submitting the proxy. In this case, the Non-Registered Holder who wishes to vote by proxy should otherwise properly complete the form of proxy and deliver it as specified; or
- b) be given a form of proxy which is not signed by the Intermediary and which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary or its service company, will

constitute voting instructions (often called a “**Voting Instruction Form**”) which the Intermediary must follow. Typically the Non-Registered Holder will also be given a page of instructions which contains a removable label containing a bar code and other information. In order for the form of proxy to validly constitute a Voting Instruction Form, the Non-Registered Holder must remove the label from the instructions and affix it to the Voting Instruction Form, properly complete and sign the Voting Instruction Form and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company.

In any case, the purpose of this procedure is to permit Non-Registered Holders including NOBOs to direct the voting of the Common Shares they beneficially own. Should a Non-Registered Holder who receives a form of proxy, VIF or Voting Instruction Form wish to vote at the Meeting in person, the Non-Registered Holder should strike out the persons named in such form of proxy and insert the Non-Registered Holder’s name in the blank space provided. Non-Registered Holders should carefully follow the instructions on the VIF or the instructions received from their Intermediary including those regarding when and where the form of proxy, VIF or Voting Instruction Form is to be delivered.

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

#### **EXERCISE OF DISCRETION BY PROXIES**

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

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

#### **ALL AS MORE PARTICULARLY DESCRIBED IN THIS CIRCULAR.**

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

## **EFFECTIVE DATE**

The effective date of the Circular is November 27, 2018.

## **VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

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

Holders of record of the Common Shares of the Corporation on November 27, 2018 (the “**Record Date**”) will be entitled either to attend and vote at the Meeting in person shares held by them or, provided a completed and executed proxy shall have been delivered to the Corporation as described herein, to attend and vote thereat by proxy the shares held by them.

The authorized capital of the Corporation presently consists of an unlimited number of Common Share of which 20,223,696 Common Shares are issued and outstanding as fully paid and non-assessable on the Record Date. The Common Shares of the Corporation are listed and posted for trading on the Canadian Securities Exchange (the “**CSE**”), under the symbol “**ZTE**”.

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

<b>Name of Shareholder</b>	<b>Number of Common Shares</b>	<b>Percentage of Class</b>
J.T. Risty Limited	2,245,790	11.10%

## **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

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

## **EXECUTIVE COMPENSATION**

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

### **Compensation Discussion and Analysis**

This Compensation Discussion and Analysis provides information about the Corporation’s executive compensation objectives and processes and discusses compensation decisions relating to its named executive officers (“**Named Executive Officers**”) listed in the Summary Compensation Table that follows. During its fiscal year ended June 30, 2018, the following individuals were Named Executive Officers (as determined by applicable securities legislation) of the Corporation:

- Wojciech Drzazga<sup>(1)</sup>, Chairman, President and Chief Executive Officer; and
- Mike Kindy, CPA, CA, Chief Financial Officer and V.P. Finance

Note:

(1) Mr. Drzazga resigned as President, Chairman and C.E.O. of the Corporation on June 15, 2018 and Mr. Steve Smith was appointed as President and C.E.O. to fill the vacancy created by the resignation of Mr. Drzazga on July 3, 2018.

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

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

### **Compensation Objectives and Principles**

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

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

### **Compensation Processes and Goals**

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

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

### **The Implementation of the Corporation’s Compensation Policies**

#### **Base Employment/Consulting Fee**

Effective January 1, 2014, the Corporation was contractually obligated to pay the former Chief Executive Officer a base salary of \$107,800 per annum for operating the business of its wholly-owned subsidiary, Permtech Electronics

Corporation (“**Permotech**”). He was also entitled to be paid a performance bonus calculated as 5% of Net Income of Permotech adjusted for non-cash expenses less corporate income tax and changes in debt. In addition, the former Chief Executive Officer was paid \$30,590 by the Corporation for the management of the public company. Effective December 1, 2017, the CEO entered into an Employment Agreement with the Corporation to manage the affairs of the public company for \$6,300 per year and entered into a separate Employment Agreement with Permotech for the payment of a base salary of \$132,090 per year plus a bonus calculated as 5% of net income of Permotech. These amounts were agreed upon between the Chief Executive Officer and the Corporation taking into account the following considerations:

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

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

During the year ended June 30, 2018, the Corporation paid the Chief Financial Officer a consulting fee at a per hour rate based upon the number of hours of service provided by the Chief Financial Officer. This amount was agreed upon between the Chief Financial Officer and the Corporation taking into account the following considerations:

- the Chief Financial Officer’s prior public company and specialized financial reporting experience gained through his senior financial management roles at a number of public companies;
- the Chief Financial Officer’s experience as a Chartered Professional Accountant and Chartered Accountant for over 25 years; and
- the Chief Financial Officer’s previous record of success with junior public companies in creating value for Shareholders.

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

### **Stock Options**

The granting of options to the Named Executive Officers under the Corporation’s Stock Option Plan provides an appropriate long-term incentive to management to create Shareholder value. The number of options the Corporation grants to each Named Executive Officer reasonably reflects the Named Executive Officer’s specific contribution to the Corporation in the execution of such person’s responsibilities. However, the number of options granted does not depend upon nor does it reflect the fulfillment of any specific performance goals or similar conditions. Previous grants of options to Named Executive Officers are taken into consideration by the Compensation Committee in developing its recommendations with respect to the granting of new options. 50,000 options were granted to the Named Executive Officers in the year ended June 30, 2018.

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

options to the independent Directors. 500,000 stock options were granted to the independent Directors during the year ended June 30, 2018.

In addition, to the granting of options under the Stock Option Plan, the compensation of Directors, in fiscal, 2018, includes a Director's fee of between \$1,155 and \$1,375 per month for independent Directors, and \$250 per month for independent Directors of the Company's subsidiary. These fees are determined by the Board of Directors of the Company and Permtech. The payment of the Directors' fees to the independent Directors recognizes their contributions to the Corporation in their capacities as independent Directors and members of one or more committees of the Board of Directors (if applicable), including without limitation the Audit Committee, the Compensation Committee and the Strategic Planning Committee.

### **Summary Compensation Table**

The following table contains information about the compensation paid to, earned by and payable to, the Corporation's Chief Executive Officer, Wojciech Drzazga, and Chief Financial Officer, Mike Kindy, for the fiscal years ended June 30, 2018, June 30, 2017 and June 30, 2016. In accordance with the Form, the Corporation does not have any other "Named Executive Officers" given that no executive officer receives total salary and bonus in excess of \$150,000. Specific aspects of compensation payable to the Named Executive Officers of the Corporation are dealt with in further detail in subsequent tables.

<b>Summary Compensation Table</b>									
<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (\$)</b>	<b>Share-Based Awards (\$)</b>	<b>Option-Based Awards (\$)</b>	<b>Non-Equity Incentive Plan Compensation (\$)</b>		<b>Pension Value (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total Compensation (\$)</b>
					<b>Annual Incentive Plans</b>	<b>Long-Term Incentive Plans</b>			
Wojciech Drzazga, Chairman and C.E.O. <sup>(5)</sup>	2018	133,067	Nil	Nil	Nil	Nil	Nil	4,449 <sup>(3)</sup>	137,516
	2017	137,920	Nil	Nil	Nil	Nil	Nil	3,995 <sup>(3)</sup>	141,915
	2016	135,381	Nil	7,961 <sup>(1)</sup>	4,371	Nil	Nil	4,786 <sup>(3)</sup>	152,499
Mike Kindy, C.F.O. and V.P. Finance	2018	Nil	Nil	41,085 <sup>(2)</sup>	Nil	Nil	Nil	61,200 <sup>(4)</sup>	102,285
	2017	Nil	Nil	Nil	Nil	Nil	Nil	54,425 <sup>(4)</sup>	54,425
	2016	Nil	Nil	3,981 <sup>(1)</sup>	Nil	Nil	Nil	57,850 <sup>(4)</sup>	61,831

Notes:

- (1) The fair value of the options was estimated using the Black-Scholes Option pricing model with the following assumptions: expected dividend yield of Nil; risk free interest rate of 0.68%; estimated life of 5 years and expected volatility of 112.77%.
- (2) The fair value of the options was estimated using the Black-Scholes Option pricing model with the following assumptions: expected dividend yield of Nil; risk free interest rate of 1.98%; estimated life of 5 years and expected volatility of 131.36%.
- (3) Life insurance and group health benefits.
- (4) Mr. Kindy is retained as a consultant and therefore does not receive a salary.
- (5) Mr. Drzazga resigned as President, Chairman and C.E.O. of the Corporation on June 15, 2018 and Mr. Steve Smith was appointed as President and C.E.O. to fill the vacancy created by Mr. Drzazga on July 3, 2018.



**Outstanding Share-Based and Option-Based Awards Granted to Named Executive Officers as of June 30, 2018**

The following table summarizes all share-based and option-based awards granted by the Corporation to its Named Executive Officers which are outstanding as of June 30, 2018.

Name	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-The-Money Options (\$) <sup>(1)</sup>	Number of Shares or Units of Shares that have not Vested	Market or Payout Value of Share-Based Awards that have not Vested (\$)
Wojciech Drzazga, Chairman and C.E.O.	Nil	N/A	N/A	Nil	Nil	Nil
Mike Kindy, C.F.O. and V.P. Finance	50,000	0.95	January 12, 2023	Nil	Nil	Nil
	100,000	0.05	March 3, 2021	18,000	Nil	Nil
	75,000	0.10	December 31, 2018	9,750	Nil	Nil

Notes:

- (1) Based on the closing price of the Common Shares on the Exchange on June 29, 2018 (being the last day of the fiscal year on which the shares were traded) of \$0.23 per Common Share.

**Value Vested or Earned by Named Executive Officers During the Years Ended June 30, 2018 Under Option-Based Awards, Share-Based Awards and Non-Equity Incentive Plan Compensation**

The following table summarizes the value vested or earned during the year by Named Executive Officers in respect of option-based awards, share-based awards and non-equity incentive plan compensation during the year ended June 30, 2018.

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

Note:

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

**Employment/Consulting Contracts**

The Corporation had a written employment agreement with Wojciech Drzazga pursuant to which he was paid an annual salary of \$107,800 by Permtech, plus a salary from the Corporation of \$30,590. He was also entitled to be paid a performance bonus calculated as 5% of Net Income of Permtech adjusted for non-cash expenses less corporate income tax and changes in debt. Effective December 1, 2017, the CEO entered into an Employment Agreement with the Corporation to manage the affairs of the public company for \$6,300 per year and entered into a separate Employment Agreement with Permtech for the payment of a base salary of \$132,090 per year plus a bonus calculated as 5% of net income of Permtech. Mr. Drzazga resigned as CEO of the Corporation on three (3) months' notice pursuant to the terms of his Employment Agreement with the Corporation and no severance payment was required to be paid. He remains as CEO of Permtech pursuant to the terms of his Employment Agreement with Permtech. Mr. Drzazga is entitled to a severance payment of three (3) years base salary of Permtech plus his

bonus. Mr. Drzazga is also entitled to a payment of three (3) years base salary of Permotech plus his bonus in the event of a Change of Control as defined below. There is no written agreement between the Corporation and Mike Kindy. Mr. Kindy bills his time for being the C.F.O. at a fixed hourly rate on an as needed basis.

**Termination and Change of Control Benefits**

In the event of a termination of the Chief Executive Officer of Permotech within 12 months following a Change of Control, as defined below, Mr. Drzazga is entitled to a single lump sum payment equal to three years’ base salary and annual bonus under his Employment Agreement with Permotech. A Change of Control is defined as: (i) the sale or disposition of all or substantially all of the assets (or any transaction having similar effect) of the Permotech is consummated; (ii) any “person” (as such term is defined in Section 1 of the *Business Corporations Act* (Ontario)), other than Wojciech (Ted) Drzazga or John Perreault, acquires the “beneficial ownership” (as defined in Section 1 of such Act), directly or indirectly, of the securities of the Company representing more than thirty percent (30%) of: (i) the outstanding voting securities of Permotech; or (ii) the combined voting power of Permotech’s then-outstanding securities; (iii) Permotech is party to a merger or consolidation that results in the holders of voting securities of Permotech outstanding immediately prior thereto failing to continue to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of Permotech or such surviving entity outstanding immediately after such merger or consolidation; (iv) the payment of an Inter-Company Loan Payment (as defined in the Inter-Company Agreement between the Corporation and Permotech) that results in the working capital of Permotech being less than the Minimum Working Capital Levels (as defined in the Inter-Company Agreement) for more than ninety (90) days; (v) the Inter-Company Agreement is amended or terminated unless such amendment or termination is agreed to unanimously by the Board of Directors of Permotech; or (vi) the dissolution or liquidation of Permotech.

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

**Compensation of Directors**

The following table contains information about the compensation awarded to, earned by, paid to or payable to, the Corporation’s Directors, other than its Named Executive Officers, the compensation of whom is detailed above under “Summary Compensation Table”, for the fiscal year ended June 30, 2018.

Director Compensation Table								
Name	Fees Earned (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total (\$)
				Annual Incentive Plans	Long-Term Incentive Plans			
John Perreault <sup>(2)</sup> , President and COO	Nil	Nil	Nil	Nil	Nil	Nil	64,439 <sup>(3)</sup>	64,439
K Michael Guerreiro	16,930	Nil	41,085 <sup>(1)</sup>	Nil	Nil	Nil	Nil	58,015
Mike Hiscott <sup>(4)</sup>	7,920	Nil	Nil	Nil	Nil	Nil	Nil	7,920
William J. Brown	16,930	Nil	41,085 <sup>(1)</sup>	Nil	Nil	Nil	12,000 <sup>(6)</sup>	70,015
Brendan	6,930	Nil	164,339 <sup>(1)</sup>	Nil	Nil	Nil	Nil	171,269

Director Compensation Table							
Name	Fees Earned (\$)	Share-Based Awards	Option-Based Awards	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation	Total (\$)
Purdy <sup>(5)</sup>							
Steve Smith <sup>(5)</sup>	6,930	Nil	164,339 <sup>(1)</sup>	Nil	Nil	Nil	171,269

Notes:

- (1) The fair value of the options was estimated using the Black-Scholes Option pricing model with the following assumptions: expected dividend yield of Nil; risk free interest rate of 1.98%; estimated life of 5 years and expected volatility of 131.36%.
- (2) Mr. Perreault resigned as President, Chief Operating Officer of the Corporation and a director of the Corporation as at December 19, 2017. He was not an independent Director nor a Named Executive Officer as his total compensation does not exceed \$150,000 per annum.
- (3) Compensation (salary, life insurance and group health benefits) earned in his capacity as President and Chief Operating Officer of ZTEST and Permotech up to December 19, 2017.
- (4) Mr. Hiscott ceased to be a director of the Corporation effective December 19, 2017.
- (5) Messers. Purdy and Smith were elected as directors of the Corporation effective December 19, 2017.
- (6) Fees paid to a company in which Mr. Brown is a principal.

Michael Guerreiro was paid Directors' fees of \$1,375 per month for the first six months of the fiscal year and \$1,155 per month thereafter in his capacity as a Director of the Company. He was also paid \$250 per month for the final six months in his capacity as Director of Permotech. Michael Hiscott was paid Directors' fees of \$1,320 per month for the first six months of the fiscal year. William Brown was paid Directors' fees of \$1,265 per month in his capacity as a Director of the Company. He was also paid \$250 per month for the final six months in his capacity as Director of Permotech. Brendan Purdy and Steve Smith were each paid Directors' fees of \$1,155 per month for the final six months of the fiscal year. All Directors are reimbursed by the Corporation for travel and other out-of-pocket expenses incurred in attending Directors and Shareholders meetings and meetings of Board committees. Directors are also entitled to receive compensation to the extent that they provide services to the Corporation at rates that would be charged by such Directors for such services to arm's length parties.

#### Outstanding Share-Based and Option-Based Awards Granted to Directors (Other Than Directors Who Are Named Executive Officers) as of June 30, 2018

The following table summarizes all share-based and option-based awards granted by the Corporation to its Directors (other than Directors who are Named Executive Officers whose share-based and option-based awards outstanding as of June 30, 2018 are detailed above) which are outstanding as of June 30, 2018.

Name	Option-Based Awards			Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-The-Money Options (\$) <sup>(1)</sup>	Number of Shares or Units of Shares that have not Vested	Market or Payout Value of Share-Based Awards that have not Vested (\$)
John Perreault	100,000	0.10	December 31, 2018	13,000	Nil	Nil
K Michael Guerreiro	50,000	0.95	January 12, 2023	Nil	Nil	Nil
	200,000	0.05	March 3, 2021	36,000	Nil	Nil
	100,000	0.10	December 31, 2018	13,000	Nil	Nil
William J. Brown	50,000	0.95	January 12, 2023	Nil	Nil	Nil
	150,000	0.15	December 20, 2021	12,000	Nil	Nil
Brendan Purdy	200,000	0.95	January 12, 2023	Nil	Nil	Nil

Name	Option-Based Awards			Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-The-Money Options (\$) <sup>(1)</sup>	Number of Shares or Units of Shares that have not Vested	Market or Payout Value of Share-Based Awards that have not Vested (\$)
Steve Smith	200,000	0.95	January 12, 2023	Nil	Nil	Nil

Notes:

- (1) Based on the closing price of the Common Shares on the Exchange on June 29, 2018 (being the last day of the fiscal year on which the shares were traded) of \$0.23 per Common Share.

**Value Vested or Earned During the Year Ended June 30, 2018 by Directors (Other Than Directors Who Are Named Executive Officers) Under Option-Based Awards, Share-Based Awards and Non-Equity Incentive Plan Compensation**

The following table summarizes the value vested or earned during the year ended June 30, 2018 by Directors of the Corporation (other than Directors who are Named Executed Officers whose value vested or earned during the year ended June 30, 2018 under option-based awards, share-based awards and non-equity incentive plan compensation is detailed above) in respect of option-based awards, share-based awards and non-equity incentive plan compensation.

Name	Option-Based Awards- Value Vested During the Year (\$) <sup>(1)</sup>	Share-Based Awards- Value Vested During the Year (\$)	Non-Equity Incentive Plan Compensation- Value Earned During the Year (\$)
John Perreault <sup>(2)</sup>	Nil	Nil	Nil
K Michael Guerreiro	Nil	Nil	Nil
Mike Hiscott <sup>(2)</sup>	Nil	Nil	Nil
William J. Brown	Nil	Nil	Nil
Brendan Purdy <sup>(3)</sup>	Nil	Nil	Nil
Steve Smith <sup>(3)</sup>	Nil	Nil	Nil

Note:

- (1) Determined based on the difference between the market price of the underlying Common Shares on the vesting date and the exercise price of the options.  
(2) Messers. Perreault and Hiscott ceased to be directors of the Corporation effective December 19, 2017.  
(3) Messers. Purdy and Smith were elected as directors of the Corporation effective December 19, 2017.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out information as of June 30, 2018 with respect to compensation plans under which equity securities of the Corporation are authorized for issuance.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights(a) <sup>(1)</sup></b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>
Equity compensation plans approved by security holders	1,500,000	\$0.43	1,794,739
Equity compensation plans not approved by security holders	Nil	Nil	Nil
<b>Total</b>	<b>1,500,000</b>	<b>\$0.43</b>	<b>1,794,739</b>

Note:

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

### STOCK OPTION PLAN

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

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

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

Pursuant to Shareholder approval on June 28, 1996, Shareholders of the Corporation authorized the reservation of up to 20% of outstanding capital for stock options based upon a fixed number of shares reserved under the Plan. On December 19, 2017, the Shareholders approved amendments to certain terms of the Plan and approved an increase in the Plan to a total of 3,494,739 Common Shares (being approximately 20% of outstanding capital) reserved under the Plan, by returning 700,000 previously exercised options to the Plan and by adding an additional 1,365,011 Common Shares to the Plan. The principal changes in the plan include the addition of a provision automatically extending the expiry date of an option, which would otherwise expire during a blackout period, for ten (10) days following the end of the blackout period in accordance with the provisions of TSX Venture Exchange Policy 4.4

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

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

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

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

There are currently 1,450,000 stock options outstanding under the Plan and 1,794,739 options are available to be granted under the Plan. The details of the stock options granted under the Plan that remain outstanding are as follows:

<b>Name and Position</b>	<b>Common Shares Under Option</b>	<b>Exercise Price Range (per Common Share)</b>	<b>Expiry Date</b>
Directors	750,000	\$0.05 - \$0.95	December 31, 2018 to January 12, 2023
Directors <sup>(1)</sup> who are also Executive Officers	200,000	\$0.95	January 12, 2023
Senior Officers	400,000	\$0.05 - \$0.95	December 31, 2018 to January 12, 2023
Employees	50,000	N/A	N/A
Consultants	50,000	\$0.10 - \$0.15	December 31, 2018 to December 20, 2021
<b>TOTAL</b>	<b>1,450,000</b>		

Note:

(1) Steve Smith became President & CEO on July 3, 2018.

#### **INDEBTEDNESS OF OFFICERS AND DIRECTORS**

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

#### **MANAGEMENT CONTRACTS**

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

## **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

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

## **AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITORS**

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

### **The Audit Committee's Charter**

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

### **Composition of the Audit Committee**

The Corporation's Audit Committee currently comprised three (3) Directors, William J. Brown (Chairman), Brendan Purdy and K. Michael Guerreiro. As defined in NI 52-110, all members of the Audit Committee are independent. Also as defined in NI 52-110, all members of the Audit Committee are financially literate.

### **Audit Committee Oversight**

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

### **Relevant Education and Experience**

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

#### **William J. Brown (Chair)**

Mr. Brown's past experience in the Canadian business community is both extensive and varied. Following a successful career in management consulting where he became a Partner with one of Canada's leading management consulting firms, he entered the venture capital sector where he gained experience both as an investor and as president of several operating companies. He has served as a director of both private and publicly traded companies in both Canada and the United States in the manufacturing, service and entertainment industries. His board experience includes serving as board chairman and as audit committee chairman. Mr. Brown qualified as a Certified Management Consultant (CMC) in the Province of Ontario in 1982 and earned the ICD.D designation from The Institute of Corporate Directors in 2006. He holds a Ph.D. in Operations Research from Case Western Reserve University and Bachelors and Masters degrees in Economics from The University of Manitoba.

#### **K. Michael Guerreiro**

Mr. Guerreiro is a sales representative in the real estate industry and has been a Director of the Corporation for over 18 years. Mr. Guerreiro's principal occupation demands the ability to review and analyze financial statements and

discuss financial issues with accountants. This educational and practical experience has resulted in Mr. Guerreiro being able to understand accounting principles and review and evaluate financial statements of the Corporation.

### **Brendan Purdy**

Mr. Brendan Purdy, J.D., is a practicing securities lawyer focused on the resource and technology sectors. In his private practice, he has developed extensive experience with respect to public companies, capital markets, mergers and acquisitions and other facets fundamental to the natural resources sector. Prior to receiving his J.D. from the University of Ottawa, Mr. Purdy completed a Bachelor of Management and Organizational Studies degree from the University of Western Ontario, majoring in finance and administration. Mr. Purdy has served as director and chief executive officer of several private and public companies and currently serves as a member of the audit committee of two (2) other public companies. This educational and practical experience has resulted in Mr. Purdy being able to understand accounting principles and review and evaluate the financial statements of the Corporation.

### **Reliance on Certain Exemptions**

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

### **Pre-Approval Policies and Procedures**

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

### **External Auditors Service Fees (By Category)**

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

<b>Financial Year Ending</b>	<b>Audit Fees</b>	<b>Audit Related Fees<sup>(1)</sup></b>	<b>Tax Fees<sup>(2)</sup></b>	<b>All Other Fees<sup>(3)</sup></b>
2018	\$25,000	Nil	Nil	Nil
2017	\$25,000	Nil	Nil	Nil

Notes:

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

### **Exemption**

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



## CORPORATE GOVERNANCE

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

1. **Board of Directors** – There are currently four (4) members of the Corporation’s Board of Directors. K. Michael Guerreiro, Brendan Purdy and William J. Brown are independent Directors of the Corporation. Steve Smith is the C.E.O. and the President.
2. **Directorships** - No Director of the Corporation is presently a Director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction except as follows:

<b>Director</b>	<b>Name of Reporting Issuer</b>	<b>Market</b>	<b>Positions with Issuer</b>
Steve Smith	Kontrol Energy Corp	CSE	Director, Audit Committee Member
Brendan Purdy	Tidal Royalty Corp.	CSE	Directors, Audit Committee Member
	Supreme Metals Corp.	CSE	Directors, Audit Committee Member
	Global Blockchain Technologies Corp.	CSE	Director
	Global Blockchain Mining Corp.	CSE	Director
	ICC International Cannabis	CSE	Director

3. **Orientation and Continuing Education** - To date, the Board of Directors has not developed a policy for orienting new directors due to the small size of the Corporation. The Board of Directors continues to monitor the needs of the Corporation and will implement such a policy when appropriate. Currently, the Board of Directors is responsible for vetting potential new Directors and ensuring they are provided with proper orientation. The Board of Directors has not currently established criteria for continuing education for Directors.
4. **Ethical Business Conduct** - The Directors understand their fiduciary obligations as Directors of a public company. The Corporation has only a few employees and the Corporation instructs them in appropriate business practices. The Corporation has implemented an Insider Trading Policy, which imposes basic trading restrictions on all officers, directors, employees and consultants of the Corporation. All Directors are required to notify fellow Directors of any material personal interest in any matter under the Board’s consideration. Having regard to the nature and extent of such interest, the affected Director may be required to remove himself from discussion and consideration of, and voting on, such matter.
5. **Nomination of Directors** - The Board of Directors is currently responsible for identifying new candidates for the Board of Directors including members to fill any vacancies on the Board of Directors. It will consider candidates submitted by Directors, officers, employees, Shareholders and others and may retain search firms for the purpose of identifying suitable candidates who meet the level of personal and professional integrity and ability the Board of Directors deems appropriate for Directors of the Corporation.
6. **Compensation** - The Corporation has a Compensation Committee which reviews the compensation of Directors and officers including the granting of stock options, and makes recommendations to the full Board of Directors. The committee is to be comprised of two (2) independent Directors being William J. Brown and K. Michael Guerreiro. Compensation will be determined with reference, in part, to compensation of officers and Directors in similar industries performing similar functions.

7. **Strategic Planning Committee** - The Corporation has established a Strategic Planning Committee comprising two (2) independent Directors, being Brendan Purdy and K. Michael Guerreiro, and one (1) non-independent Director, Steve Smith. The Strategic Planning Committee was established to review potential opportunities for the Corporation including investments in and acquisitions of businesses in the electronic contract manufacturing sector among other alternatives for the Corporation.
8. **Other Board Committees** - The Board of Directors has assessed the Corporation's needs and at this point in time believe it is not necessary for the Corporation to have any other standing committees of the Board.
9. **Assessments** - The full Board of Directors will establish procedures for satisfying itself that the Board, its committees, and its individual Directors are performing effectively.

## **PARTICULARS OF MATTERS TO BE ACTED UPON**

### **PRESENTATION OF FINANCIAL STATEMENTS**

The Annual Financial Statements for the fiscal years ended June 30, 2018 and 2017 and the report of the auditors thereon will be submitted to the Meeting. Receipt at the Meeting of the auditors' report and the Annual Financial Statements for the Corporation's last completed fiscal period will not constitute approval or disapproval of any matters referred to therein. The Annual Financial Statements and the Annual MD&A can be obtained from the Corporation's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com) and on the Corporation's website at [www.ztest.com](http://www.ztest.com). Shareholders may receive paper copies of the Circular and the Annual Financial Statements and Annual MD&A by following the procedure referred to under the heading "Notice-and-Access" on the first page of this Circular. In the alternative, upon receiving a written request to the address on the first page of this Circular, the Corporation will mail a copy of the Annual Financial Statements and Annual MD&A to you.

### **ELECTION OF THE BOARD OF DIRECTORS**

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

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

The following table and notes thereto state the names of all the persons proposed to be nominated for election as Directors, all of the positions and offices with the Corporation now held by them, their present principal occupations or employments for the last five (5) years and the number of shares of the Corporation beneficially owned, directly or indirectly, or over which control or direction is exercised, by each of them as of November 27, 2018. The

information as to shares beneficially owned has been furnished to the Board of Directors by the respective nominees.

<b>Name and Municipality of Residence</b>	<b>Position with Corporation</b>	<b>Principal Occupation or Employment for the Last Five Years</b>	<b>Director From</b>	<b>Number of Shares Beneficially Owned or Controlled</b>
Steve Smith <sup>(3)</sup> White Rock, B.C.	President, C.E.O. and a Director	President and C.E.O of the Corporation since July 3, 2018. President of Target Management; a full service capital markets consulting firm, since March 2001	July 3, 2018	238,000 Common Shares
K. Michael Guerreiro <sup>(1)(2)(3)</sup> Cambridge, Ontario	Director	Employed as a Sales Representative, Royal LePage Real Estate Services Ltd.	June 28, 1996	387,113 Common Shares
William J. Brown <sup>(1)(2)</sup> Stouffville, Ontario	Director	Retired Business Executive (from February 2015). From June 2011 to February 2015, President of hvGrid-tech Inc., Gormley, Ontario, a manufacturer of accessories for high voltage underground cable	December 20, 2016	Nil
Brendan Purdy <sup>(1)(3)</sup> Toronto, Ontario	Director	Lawyer	July 3, 2018	10,000 Common Shares

Notes:

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

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

### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

#### **Cease Trade Orders**

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

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

For the purposes of subsections (a) and (b) above, "order" means (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days except for Brendan Purdy who acted as director of Boomerang Oil, Inc. ("**Boomerang**"). Boomerang was subject to a cease trade order dated February 3, 2015 issued by the British Columbia Securities Commission due to Boomerang failing to file its annual audited

financial statements for the period ended September 30, 2014 and its management's discussion and analysis relating thereto before the prescribed deadline of January 28, 2015, as required under Part 5 of National Instrument 51-102.

### **Bankruptcies**

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

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

### **Penalties or Sanctions**

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

### **Conflict of Interest**

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

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

### **APPOINTMENT OF AUDITORS**

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

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

The Shareholders are urged by Management to appoint Wasserman Ramsay, Chartered Accountants, as the

Corporation's auditors and to authorize the Board of Directors to fix their remuneration.

**ADDITIONAL INFORMATION**

Additional information concerning the Corporation can be obtained from [www.sedar.com](http://www.sedar.com).

Financial information concerning the Corporation is provided in the Corporation's comparative Annual Financial Statements and Annual MD&A for its fiscal year ended June 30, 2018. Copies of these documents may be obtained from the Corporation by making a request in writing to the Corporation at 523 McNicoll Avenue, North York, Ontario, M2H 2C9, fax (416) 297-5156 Attention: Chief Executive Officer.

**APPROVAL OF DIRECTORS**

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

**DATED** the 27<sup>th</sup> day of November, 2018.

**BY ORDER OF THE  
BOARD OF DIRECTORS**

*"Steve Smith"*

**STEVE SMITH**  
Chief Executive Officer

**SCHEDULE “A”**  
**ZTEST ELECTRONICS INC.**  
**(the “Corporation”)**  
**AUDIT COMMITTEE CHARTER**

**Purpose of the Audit Committee**

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

**Composition and Procedures of the Audit Committee**

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

### **Specific duties and responsibilities of the Audit Committee**

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

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



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