

ZTEST ELECTRONICS INC.
Annual Report required by the
Fighting Against Forced Labour and Child Labour in Supply Chains Act (Bill S-211)

1. Introduction and Our Business

ZTEST Electronics Inc. ("**ZTEST**" or the "**Company**") is a corporation amalgamated under the laws of Ontario, Canada, operating through a single location in Toronto, Ontario, Canada. The Company's shares trade on the Canadian Securities Exchange ("**CSE**") under the trading symbol "ZTE".

Pursuant to the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the "**Act**"), the definition of child labour includes, among other things, work that is mentally, physically or morally dangerous or harmful to children and/or that interferes with their schooling. Furthermore, for labour undertaken in Canada, the Act confirms that child labour constitutes any labour undertaken by a person under the age of 18 in circumstances that are contrary to applicable laws in the country. The definition of forced labour in the Act references The Forced Labour Convention, 1930, adopted in Geneva on June 28, 1930 (the "**Forced Labour Convention**"). The Forced Labour Convention defines forced labour to include work which is exacted from any person under the menace of any penalty, and which has not been offered voluntarily. ZTEST, including its wholly owned subsidiary company, Permotech Electronics Corporation, ("**Permotech**") adheres to all employment laws in Ontario, Canada and does not tolerate forced labour or child labour. ZTEST is committed to respect and protect the human rights of all people, ethical conduct, and good corporate governance.

The operations of ZTEST entail the management of its assets, including oversight of Permotech. ZTEST consumes services and administrative supplies acquired from sources located primarily within Canada, with a very small number in the United States of America. Each of these suppliers is considered highly reputable and ZTEST has not identified any risks related to forced or child labour in relation to the services or supplies it consumes.

Permotech's operations involve the development and assembly of printed circuit boards and other electronic equipment for customers located in Canada and the United States of America. These activities are conducted at the single location in Toronto, Ontario, Canada shared with ZTEST. In addition to the aforementioned services and administrative supplies, the conducting of Permotech's operations includes the procurement of machinery, printed circuit boards, and electronic components acquired directly from sources in Canada, the United States of America, and other countries. There is potential risk, including risk that base elements used by its suppliers in manufacturing the machinery, printed circuit boards, and electronic components that Permotech consumes, somehow involve forced or child labour.

The operations of ZTEST and Permotech are conducted from a single location by fewer than 50 individuals. Most of these individuals have no managerial responsibilities, hiring rights, or any ability to act autonomously on behalf of or to represent the Company. In addition, interaction and communication is reasonably continuous and turnover is very low. This environment serves to ensure that all personnel have extensive familiarity with corporate policies, practices, and procedures. Furthermore, it provides for a collective social conscience including the complete intolerance for forced or child labour. In this situation, formal training on this matter has not been considered necessary.

2. Steps Taken to Prevent and Reduce Risks of Forced or Child Labour and Due Diligence Practices

Efforts to prevent and reduce the risk that forced labour or child labour is used at any step are primarily limited to enquiry and reliance on certain external sources. Although the size and nature of operations does not lend itself to elaborate systems for auditing or monitoring suppliers or mandating that those suppliers comply with any specific requirements, this does not preclude taking prudent and reasonable precautions.

Prior to placing an initial order with a potential supplier, the reputation of that potential supplier is investigated and evaluated. That evaluation is predicated upon a review of readily available information and ensuring they are not on the Uyghur Forced Labor Prevention Act Entity List (“UFLPA”) as issued and maintained by the United States Department of Homeland Security. Provided there was nothing in the information gathered that rendered the potential supplier undesirable then consultation is sought with trusted parties acquainted with the potential supplier. Orders are not placed unless this evaluation reveals nothing to suggest that conducting business with them will be determinantal, in any way, to the Company’s reputation.

This evaluation of reputation does not cease with the initial order but continues through direct interaction with the supplier, their peers, our peers, monitoring of general and industry specific media, and any other source that may either support or refute the previous evaluation.

To date, the Company has not identified any potential or existing supplier for which forced labour or child labour has been alleged or known to have occurred. In the absence of such occurrences the Company has had no cause to devise or take any measures to remediate any situation or the resulting loss of income for the workers involved.

3. Assessing and Managing Risk

The Company will continue to take reasonable steps in the effort to prevent and reduce the risk that forced labour or child labour is used at any step in any of the supply chains it may utilize and will endeavor to report any instances it may encounter to appropriate authorities for further investigation.

4. Approval and Attestation

This report was approved and authorized for issuance by the Board of Directors of ZTEST Electronics Inc. on May 28, 2024.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.



Steve Smith, Director, Chairman and CEO

I have the authority to bind ZTEST Electronics Inc.

May 28, 2024