

**FORM 51-102F3
MATERIAL CHANGE REPORT**

Item 1. Name and Address of Company

ZTEST ELECTRONICS INC. (the "Company" or "ZTEST")
523 McNicoll Avenue
North York, Ontario M2H 2C9

Item 2. Date of Material Change

The material change took place on December 15, 2016.

Item 3. News Release

The News Release attached hereto was disseminated on December 16, 2016 through Marketwired.

Item 4. Summary of Material Change

ZTEST announced that the Company has closed its non-brokered Offering announced in its press release of December 13, 2016. The Company placed 4,500,000 working capital units ("**Units**") at a price of \$0.05 per Unit for gross proceeds of \$225,000 (the "**Offering**").

ZTEST also announced that it has acquired (the "**Acquisition**") a 15.05% equity interest in Conversance Inc., a private Waterloo based technology company, for \$210,000 in cash consideration, and the issuance of 1,325,000 common shares of ZTEST at a deemed price of \$0.0525 per share.

Item 5. Full Description of Material Change

Each Unit priced at \$0.05 consisted of one (1) common share and one common share purchase warrant ("**Warrant**"). Each Warrant entitles the holder to purchase one common share at a price of \$0.06 until December 15, 2021.

Additionally, ZTEST has the option to further expand its equity ownership position in Conversance to 19.91% by investing a further \$140,000 in cash and issuing a further of 275,000 common shares of ZTEST on or before April 14, 2017. ZTEST will have a pre-emptive right to maintain its equity interest by participating in further funding of the company.

ZTEST is making the investment to provide working capital that will be used to continue development of a prototype software platform for businesses that helps manage communications with customers across the entire spectrum of instant communications, including, but not limited to, texts, instant messengers and social media.

Insiders of the Company subscribed for 1,050,000 Units of the Offering. The insider private placements are exempt from the valuation and minority shareholder approval requirements of Multilateral Instrument 61-

101 (“MI 61-101”) by virtue of the exemptions contain in section 5.5(a) and 5.7(1) (a) of MI 61-101 in that the fair market value of the consideration for the securities of the Company issued to the insiders did not exceed 25% of its market capitalization. The insider private placements were approved by the disinterested directors of the Company. The insider private placements represented 23.33% of the Offering. The Insider private placements closed at the same time as the arm’s length private placements to facilitate the Acquisition.

The following table indicates the Units purchased by Insiders, the post-closing direct and indirect holdings in the Company held and the percentage the holding represents in the post-closing outstanding shares:

Name	# of Listed Shares Purchased	Post-closing Direct & Indirect Holdings in the Issuer	% of Post-Closing Outstanding Listed Shares ⁽¹⁾
Wojciech Drzazga	350,000 Units	1,222,512 common shares 350,000 warrants	9.18%
J T Risty Limited	500,000 Units	2,245,790 common shares 500,000 warrants	15.90%
K. Michael Guerreiro	100,000 Units	412,232 common shares 100,000 warrants 350,000 options	5.01%
William R. Johnstone	100,000 Units	238,821 common shares 100,000 warrants 155,000 options	2.90%

(1) Calculated based on partially-diluted outstanding capital for the holder including Warrants issued on this transaction to the holder assuming the exercise of all warrants and options held by such holder. Based upon outstanding capital of 16,773,696 after giving effect to the issuance of shares under the Offering and the issuance of shares for the Acquisition and before giving effect to the partial dilution calculations.

All securities issued pursuant to the Offering and the Investment are subject to a statutory four month hold period until April 16, 2017.

Item 6. Reliance on Subsection 7.1(2) of National Instrument 51-102

Confidentiality is not requested.

Item 7. Omitted Information

No information has been omitted in respect of the material change.

Item 8. Executive Officer

Ted Drzazga, CEO
(416) 297-5155
email: info@ztest.com

Item 9. Date of Report

December 16, 2016