

**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



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

**PRESS RELEASE
FOR IMMEDIATE RELEASE**

**ZTEST CLOSSES \$225,000 PRIVATE PLACEMENT & INVESTS IN PRIVATE
TECHNOLOGY COMPANY**

NORTH YORK, December 16, 2016 - ZTEST Electronics Inc. (the “**Company**”) (CSE - “**ZTE**”) is pleased to announce that it has closed its non-brokered private placement (the “**Offering**”) with the sale of 4,500,000 working capital units (“**WC Units**”) at \$0.05 per WC Unit for proceeds of \$225,000. Each WC Unit consists of one (1) common share and one (1) common share purchase warrant (a “**Warrant**”). Each Warrant entitles the holder to acquire an additional common share of the Company at \$0.06 until five (5) years from closing.

Insiders of the Company subscribed for 1,050,000 WC Units under 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 does not exceed 25% of its market capitalization.

ZTEST is also pleased to announce 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. For further particulars, see the Press Release issued December 13, 2016.

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

J. T. Risty Limited (“**Risty**”), an insider of the Company, acquired 500,000 WC Units pursuant to the private placement and now holds 2,245,790 common shares representing 13.39% of the issued and outstanding capital of the Company and 500,000 Warrants after giving effect to the private placement. If Risty were to exercise all of its Warrants, it would hold 2,745,790 common shares representing 15.90% of outstanding capital on a partially diluted basis.

Risty has advised that the WC Units were acquired for investment purposes and that it has no present intention to either increase or decrease its holdings in the Company. Notwithstanding the foregoing, it has advised that it may increase or decrease its beneficial ownership, control or direction over common shares of the Company through market transactions, private agreements, exercise of warrants, other treasury issuances or otherwise.

Z-TEST

Wojciech (“**Ted**”) Drzazga, CEO and a director of the Company, acquired 350,000 WC Units pursuant to the private placement and now holds 1,222,512 common shares representing 7.29% of the issued and outstanding capital of the Company and 350,000 Warrants after giving effect to the private placement. His wife, Joanna (“**Joanna**”) Drzazga, acquired 650,000 WC Units pursuant to the private placement and now holds directly and indirectly 664,545 common shares representing 3.96% of the issued and outstanding capital of the Company and 650,000 Warrants plus an additional 300,000 warrants to acquire common shares of ZTEST after giving effect to the private placement. Collectively they hold 1,887,057 common shares representing 11.25% of the issued and outstanding capital of the Company. If Ted and Joanne were to exercise all of their Warrants and existing convertible securities, they would hold 3,187,057 common shares representing 18.29% of outstanding capital on a partially diluted basis.

Ted and Joanna have advised that the WC Units were acquired for investment purposes and that they have no present intention to either increase or decrease their holdings in the Company. Notwithstanding the foregoing, they have advised that they may increase or decrease their beneficial ownership, control or direction over common shares of the Company through market transactions, private agreements, exercise of warrants, other treasury issuances or otherwise.

Ed (“**Ed**”) Blasiak acquired 1,180,000 WC Units pursuant to the private placement and now holds 1,360,000 common shares representing 8.11% of the issued and outstanding capital of the Company and 1,180,000 Warrants after giving effect to the private placement. If Ed were to exercise all of his Warrants, he would hold 2,540,000 common shares representing 14.15% of outstanding capital on a partially diluted basis.

Ed has advised that the WC Units were acquired for investment purposes and that he has no present intention to either increase or decrease his holdings in the Company. Notwithstanding the foregoing, he has advised that he may increase or decrease his beneficial ownership, control or direction over common shares of the Company through market transactions, private agreements, exercise of warrants, other treasury issuances or otherwise.

Franklin (“**Frank**”) Zolnai acquired 680,000 WC Units pursuant to the private placement and now holds 1,208,540 common shares representing 7.20% of the issued and outstanding capital of the Company and 680,000 Warrants after giving effect to the private placement. If Frank were to exercise all of his Warrants, he would hold 1,888,540 common shares representing 10.82% of outstanding capital on a partially diluted basis.

Frank has advised that the WC Units were acquired for investment purposes and that he has no present intention to either increase or decrease his holdings in the Company. Notwithstanding the foregoing, he has advised that he may increase or decrease his beneficial ownership, control or direction over common shares of the Company through market transactions, private agreements, exercise of warrants, other treasury issuances or otherwise.

This news release is issued pursuant to National Instrument 62-103 – *The Early Warning System and related Take-Over Bid and Insider Reporting Issues* of the Canadian Securities Administrators, which also requires early warning reports to be filed with the applicable



securities regulators containing additional information with respect to the foregoing matters. Copies of the early warning reports in respect of these transactions will be available on ZTEST's issuer profile on SEDAR at www.sedar.com.

About ZTEST Electronics Inc.

ZTEST Electronics Inc., thru its wholly owned subsidiary Permotech Electronics Corp. ("Permotech"), offers Electronic Manufacturing Services (EMS) to a wide range of customers. Permotech's offering includes Materials Management, Printed Circuit Board (PCB) Assembly, Testing and Design services. Permotech operates from a 20,000 square foot, ISO 9001:2008 certified facility in North York, Ontario, Canada. The company serves customers in the Medical, Power, Computer, Telecommunication, Wireless, Industrial and Consumer Electronics markets requiring high quality, quick-turn, small and medium size production runs.

For more information contact:

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

The CSE has neither approved nor disapproved the contents of this press release. The CSE does not accept responsibility for the adequacy or accuracy of this release.