ZTEST ELECTRONICS INC.
523 McNicoll Avenue
North York, Ontario
M2H 2C9

VIA SEDAR

Ontario Securities Commission
19th Floor, 20 Queen Street West
Toronto, Ontario M5H 3S8
Attention: Continuous Disclosure

British Columbia Securities Commission
12th Floor, Pacific Centre, 701 W. Georgia St.
Vancouver, B.C. V7Y 1L2
Attention: Continuous Disclosure

Alberta Securities Commission
4th Floor, 300-5th Avenue S.W.
Calgary, Alberta, T2P 3C4
Attention: Continuous Disclosure

TSX Venture Exchange
3rd Floor, 130 King Street West
Toronto, Ontario M5X 1E5
Attention: Market Operations

Dear Sirs/Mesdames:

RE: Material Change Report
Ontario Securities Act. Sec. 75 (2)

1. The name of the Reporting Issuer is **ZTEST Electronics Inc.** ("ZTEST" or the "Corporation") whose principal office is at 523 McNicoll Avenue, North York, Ontario, Canada M2H 2C9.

2. The material change occurred on December 19, 2003.

3. Press Release was published at Toronto on the CCN Matthews - TSX Venture Exchange Disclosure Wires on December 22, 2003.

4. ZTEST announced that it had completed a restructuring of$1,167,375 in outstanding convertible debenture bearing interest at between 8% and 10.5%, coming due between December 3, 2003 and October 25, 2004 and convertible into units of ZTEST at prices of between $0.10 and $0.16 per unit with each unit consisting of a common share and a warrant exercisable at prices between $0.10 and $0.18 per share by issuing new debentures totalling$1,243,593.63 and bearing no interest (the "New Debentures").

5. There are three types of new debentures as follows: (i) $942,763.63 in convertible debentures bearing no interest for a period of three (3) years and convertible into units at the rate of one (1) unit for each $0.10 of debt converted if converted in the first two years and for each $0.11 of debt converted if converted in the third year. Each unit consists of a common share and a warrant with each warrant entitling the holder to acquire a common share at a price of $0.10 per share if the debenture is converted in the first two years and $0.11 per share if the debenture is converted in the third year. The warrants expire on the earlier of two (2) years from conversion and the due date of the debenture (the "3 Year Unit Debentures"); (ii) $222,292.50 in convertible debentures bearing no interest for a period of two (2) years and convertible into units at the rate of one (1) unit for each $0.10 of debt converted. Each unit consists of a common share and a warrant with each warrant entitling the holder to acquire a common share at a price of $0.10 per share. The warrants expire on the due date of the debenture (the "2 Year Unit Debentures"); and (iii) $78,537.50 in convertible debentures bearing no interest for a period of two (2) years and convertible into common shares at the rate of one (1) common share for each $0.10 of debt converted (the "2 Year Share Debentures"). In order for subscribers to subscribe for either the 3 Year Unit

Debenture or the 2 Year Unit Debenture, they were required to increase the principal amount of their exiting debentures by 7% by way of an additional cash investment. These funds will be used for working capital.

Insiders subscribed for a total of $83,326.25 in 3 Year Unit Debentures and $5,937.50 in 2 Year Share Debentures.

In addition, the board of directors of ZTEST granted 950,000 director and senior officer options exercisable at $0.12 per share for a period of 5 years to the following persons: Wojciech Drzazga – 275,000 options, John Perreault – 275,000 options, William Brown – 100,000 options, Mike Guerreiro – 100,000 options, Don Nurse – 100,000 options, Mike Kindy – 50,000 options and William R. Johnstone – 50,000 options. ZTEST also granted a further 150,000 options on the same terms to various employees and consultants.

6. This report is <u>not</u> being filed on a confidential basis in reliance on subsection 75(3) of the Ontario Securities Act.

7. No information has been omitted because it is believed it should remain confidential.

8. For further information, please contact Mr. Ted Drzazga, Tel. #: (416) 297-5155 or Email: info@ztest.com.

9. The foregoing accurately discloses the material change referred to herein.

DATED at Toronto, Ontario this 22nd day of December, 2003.

"William R. Johnstone"

WILLIAM R. JOHNSTONE
SECRETARY

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