Form 51-102F3
Material Change Report

Item 1. Name and Address of Company

Versatile Systems Inc. ("Versatile" or the "Company")
4900 Ritter Road, Ste 100
Mechanicsburg, PA 17055

Item 2. Date of Material Change

December 10, 2013.

Item 3. News Release

The news release announcing the material change was issued at Mechanicsburg, PA on December 16, 2013, and was disseminated via Marketwire and filed on SEDAR.

Item 4. Summary of Material Change

The Company announced that it entered into a loan agreement with Bertrand des Pallieres (the "Lender"), a director and significant shareholder of the Company, under which the Lender has loaned to the Company Cdn$786,400 by way of a bridge loan.

Item 5. Full Description of Material Change

5.1 Full Description of Material Change

Versatile announced on December 16, 2013 that it entered into a loan agreement with the Lender, a director and significant shareholder of the Company, under which the Lender has loaned to the Company Cdn$786,400 by way of a bridge loan (the "Bridge Loan"). The proceeds from the Bridge Loan will be used for working capital for the Company and its subsidiaries. In connection with the Bridge Loan, the Company has agreed to use reasonable commercial efforts to undertake and complete a rights offering (the "Rights Offering") by way of a rights offering circular before March 31, 2014.

The Bridge Loan bears interest at a rate of 6% per annum and principal and interest is due on the earlier of April 15, 2014 and the day after the receipt by the Company of the proceeds from the rights offering (described below).

Under the Rights Offering the Company proposes to issue to eligible holders of its outstanding common shares 157,285,643 rights, with four rights being exercisable into one common share of the Company at an exercise price of Cdn$0.02 per share. The Lender has agreed to provide a stand-by commitment to purchase all of the unexercised rights. The Company expects to raise gross proceeds of approximately Cdn$786,400 under the Rights Offering and has covenanted to use such proceeds to repay the Bridge Loan. In consideration for the Lender's stand-by commitment the Company has agreed to grant the Lender a bonus warrant to purchase up to 25% of the total number of shares the Lender will agree to acquire under the stand-by commitment.

The Company has also agreed with the Lender that the Company will submit to its shareholders for approval at the Company's upcoming Annual General Meeting, a resolution to approve the consolidation of the Company's shares on a 10 for 1 basis (the "Consolidation"). All references in this material change report to numbers of shares are to pre-Consolidation numbers.

The Company is also in discussions with the Lender regarding a proposed convertible loan in a principal amount of approximately Cdn$640,000. The Company and the Lender have not yet agreed to the terms of such convertible loan. If and when terms are agreed to, the Company will provide further details in a subsequent news release.

The Rights Offering and Consolidation are subject to a number of conditions precedent, including the approval of the TSX Venture Exchange and securities regulatory authorities, and in the case of the Consolidation the approval of the Company's shareholders. If such conditions precedent are not satisfied the Rights Offering may not close and the Consolidation may not complete. Further details of the Rights Offering and Consolidation will be provided in due course after receipt of applicable approvals. Assuming the Rights Offering proceeds, the Company expects to mail a rights offering circular in January 2014 and the Rights Offering will close in late February 2014. The Company anticipates that if the Consolidation is approved, it will be effective after the closing of the Rights Offering.

The Bridge Loan constitutes a related party transaction under Multilateral Instrument 61-101 as the Lender is a director of the Company and owns 33,167,500 common shares of the Company, representing approximately 21.6% of the Company's outstanding common shares. The Company has relied on the exemption from minority shareholder approval in section 5.7(f) of MI 61-101 as the Bridge Loan is on reasonable commercial terms.

Forward-looking Statements

This document may contain forward-looking statements relating to Versatile's operations or to the environment in which it operates, which are based on Versatile's operations, estimates, forecasts and projections. These statements include the completion and terms of the convertible loan, Rights Offering and the Consolidation. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict or are beyond Versatile's control. A number of important factors including those set forth in other public filings could cause actual outcomes and results to differ materially from those expressed in these forward-looking statements. Consequently, readers should not place any undue reliance on such forward-looking statements. In addition, these forward-looking statements relate to the date on which they are made. Versatile disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

5.2 Disclosure for Restructuring Transactions

Not applicable.

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

Not Applicable.

Item 7. Omitted Information

Not Applicable.

Item 8. **Executive Officer**

The following Senior Officer of the Company is available to answer questions regarding this report:

Kenny Kahn, Chief Executive Officer
(717) 620-2531

Item 9. **Date of Report**

Dated at Mechanicsburg, PA, this 19th day of December, 2013.