

## FORM 7

### **MONTHLY PROGRESS REPORT**

Name of Listed Issuer: ZTEST ELECTRONICS INC. (the "Issuer").

Trading Symbol: ZTE

Number of Outstanding Listed Securities: 10,948,696 common shares

Date: December 5, 2016

This Monthly Progress Report must be posted before the opening of trading on the fifth trading day of each month. This report is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by Exchange Policies. If material information became known and was reported during the preceding month to which this report relates, this report should refer to the material information, the news release date and the posting date on the Exchange website.

This report is intended to keep investors and the market informed of the Issuer's ongoing business and management activities that occurred during the preceding month. Do not discuss goals or future plans unless they have crystallized to the point that they are "material information" as defined in the Policies. The discussion in this report must be factual, balanced and non-promotional.

#### **General Instructions**

- (a) Prepare this Monthly Progress Report using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the items must be in narrative form. State when the answer to any item is negative or not applicable to the Issuer. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

#### **Report on Business**

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.

The Issuer through its wholly owned subsidiary Permotech Electronics Corporation ("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. Permtech operates from a 21,000 square foot, ISO 9001:2008 certified facility in North York, Ontario, Canada. The Corporation 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. The business of the Issuer has been relatively stable over the last four years and generally does not vary materially from month to month. The Issuer is a contract manufacturer of complex circuit boards. It specializes in servicing customers who are looking for high yield and require high quality and rapid-turnaround on low and mid-volume production lines of high complexity products. The Issuer provides both thru-hole and surface mount production, including full BGA (Ball Grid Array) and Micro BGA.

With its consignment, assembly only services, the customer can provide the Issuer with a kit comprised of the PCBs and all other components and the Issuer will then assemble the circuit boards. Utilizing in-house expertise, the Issuer can also provide complete turnkey service and materials management, which includes the sourcing and procurement of all required components and PCBs to facilitate assembly. The Issuer also provides a partial turnkey service wherein it will source and procure the components necessary to augment parts the customer already has available. Regardless of the method of supply of components, the Issuer can deliver the circuit boards, assembled in accordance with the customer’s design specifications, usually within two weeks from the receipt of all required components.

The Issuer handles a diverse range of customers and is adept and experienced in dealing with many different PCB assembly production issues. Unlike many less versatile contract manufacturers, the Issuer works on a daily basis with thru-hole, SMT, automated and hand placement requirements. The Issuer also offers lead free RoHS services and has the necessary RoHS equipment in place. The Issuer offers functional testing of PCBs as well as burn in testing per procedures supplied by the customer. The Issuer also completes boxed builds and final assembly products as required by customers.

## 2. Provide a general overview and discussion of the activities of management.

Senior management is actively involved in contacting customers and prospective customers in need of contract manufacturing services, and operating the business of the Issuer on a daily basis.

On November 18, 2016, the Issuer filed its meeting materials, including form of proxy, beneficial notice, notice of meeting and management information form on SEDAR.

On November 29, 2016, the Issuer filed its interim financial statements, MD&A and CEO and CFO certificates for the first quarter ended September 30, 2016 on SEDAR.

3. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.

The Issuer is in the contract manufacturing business. The Issuer assembles PCBs at its facility in Toronto based upon customer specifications. The Issuer does not produce any of its own products; it provides contract services only.

4. Describe and provide details of any products or services that were discontinued. For resource companies, provide details of any drilling, exploration or production programs that have been amended or abandoned.

Not applicable.

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

The Issuer has a number of repeat customers as well as new customers who may or may not become repeat customers. The Issuer generally assembles PCBs based on customer specifications pursuant to purchase orders that have terms from two weeks to several months. The Issuer has three customers that each represent approximately 10% of the Issuer's business on an annual basis but the mix of business changes on a month-to-month basis and is reviewed by the Issuer quarterly. It has no material contracts or long-term commitments from its customers. There have been no new material business relationships that were created in the prior month.

6. Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer's affiliates or third parties or cancellation of any financing arrangements that have been previously announced.

None. See paragraph 5 above.

7. Describe any acquisitions by the Issuer or dispositions of the Issuer's assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship.

Not applicable.

8. Describe the acquisition of new customers or loss of customers.  
See paragraph 5 above.
9. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trade-marks.  
Not applicable.
10. Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.  
  
One of the greatest assets of the Issuer is its long-term, loyal production staff who are experienced and motivated to manufacture high quality and reliable products. The Permatech personnel take pride in the quality of work they do and the products they produce. The Issuer has very little staff turnover and does not rely on temporary workers to meet its customers' production and delivery requirements. However any new hirings or terminations would generally not be material to the business of the Issuer.
11. Report on any labour disputes and resolutions of those disputes if applicable.  
Not applicable.
12. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.  
Not applicable.
13. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.  
  
The Issuer has a bank operating line of credit and a bank equipment loan which is repaid in the ordinary course. Disclosure of the repayment of this indebtedness is made on a quarterly basis in the Issuer's Financial Statements.
14. Provide details of any securities issued and options or warrants granted.  
Not applicable.

Security	Number Issued	Details of Issuance	Use of Proceeds <sup>(1)</sup>

*(1) State aggregate proceeds and intended allocation of proceeds.*

15. Provide details of any loans to or by Related Persons.

See disclosure in the Issuer's interim and annual Financial Statements.

16. Provide details of any changes in directors, officers or committee members.

No changes.

17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.

There are no trends or commitments known to the Issuer that can reasonably be expected to have a material effect on the Issuer's business, financial condition or results of operations other than as described in Section 17 – "Risk Factors" of the Issuer's Listing Statement filed on the CSE website. As noted in the Risk Factors, one trend that may have further impact on the Issuer is the existing trend of market consolidation through acquisition of Canadian electronics companies by U.S. Issuers. This has resulted in a decrease in the number of customers seeking contract manufacturing services in Canada.

## Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there were is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 7 Monthly Progress Report is true.

Dated December 5, 2016.

William R. Johnstone  
Name of Director or Senior  
Officer

"William R. Johnstone"  
Signature  
Corporate Secretary  
Official Capacity

<b>Issuer Details</b>		For Month	Date of Report
Name of Issuer		End	YY/MM/D
ZTEST Electronics Inc.		November	16/12/05
2016			
Issuer Address			
523 McNicoll Avenue, North York			
City/Province/Postal Code		Issuer Fax No.	Issuer Telephone No.
North York, ON M2H 2C9		(416)297-5156	(416)297-5155
Contact Name		Contact	Contact Telephone No.
Ted Drzazga		Position	(416) 297-5155
		C.E.O.	
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