MATERIAL CHANGE REPORT

Subsection 75(2) of the *Securities Act* (Ontario) and equivalent sections in the securities acts of each of the other provinces of Canada

1. **Reporting Issuer**

   Hy & Zel's Inc.
   7171 Yonge Street
   Thornhill, Ontario
   L3T 2A9

2. **Date of Material Change**

   June 5, 2003

3. **Press Release**

   A Press Release was issued on June 5, 2003.

4. **Summary of Material Change**

   Hy & Zel's Inc. (the "Company") (TSE:HZI) has announced that it has arranged a new operating line of credit with CIT Business Credit Canada Inc.

5. **Full Description of Material Change**

   The Company has announced that it has arranged a new operating line of credit with CIT Business Credit Canada Inc., a limited liability company owned equally by CIBC World Markets and the CIT Group, Inc. This new operating line will replace the Company's existing operating line, and is primarily secured by its inventory and receivables. The borrowing availability is subject to margin requirements and reserves.

6. **Reliance on Subsection 75(3) of the *Securities Act* (Ontario)**

   Not applicable.

7. **Omitted Information**

   Not applicable.

8. **Senior Officer**

   For further information contact Zelick Goldstein, the Chief Executive Officer of the Company or Gary Himmel the Chief Financial Officer of the Company at (905) 886-7171.

9. **Statement of Senior Officer**

The foregoing accurately discloses the material change referred to herein.

DATED at Toronto, Ontario this 12th day of June, 2003.

HY & ZEL'S INC.

Per: "Gary Himmel"
Gary Himmel
Chief Financial Officer