FORM 51-102F3

MATERIAL CHANGE REPORT

Item 1 Name and Address of Company

H. O. Financial Limited
1067 Yonge Street
Toronto, Ontario M4W 2L2

Item 2 Date of Material Change

August 15, 2006

Item 3 News Release

The news release (the "**News Release**") was issued on August 16, 2006 through CCNMatthews.

Item 4 Summary of Material Change

See item 5 below

Item 5 Full Description of Material Change

H. O. Financial Limited (the "**Company**" or "**H. O.**") announced in the News Release that Geoffrey Matus, a Director and Chairman of the Board of the Company, had acquired an additional 464,040 Common Shares of the Company. Together with the 1,533,360 Common Shares of the Company beneficially owned or control by Mr. Matus, Mr. Matus beneficially owns or controls an aggregate 1,997,400 Common Shares, which represents approximately 17.52% of the 11,398,668 Common Shares of the Company presently issued and outstanding. The securities were acquired in part from a Senior Officer and Director of the Company by private agreement and through purchases in the market.

There is no person or company acting jointly or in concert with Mr. Geoffrey Matus in connection with the ownership of, or control over the securities acquired.

The 464,040 Common Shares were acquired for cash consideration at an average price of $1.00 Canadian per share for aggregate consideration of approximately $464,040. Mr. Matus acquired the Common Shares for investment purposes only and has no current intention to acquire ownership of, or control over, additional securities of the Company. This intention may change subject to market conditions.

Item 6 Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

Not applicable.

Item 8 Executive Officer

The name and business telephone number of an executive officer of the Company who is knowledgeable about the material change referred to herein and this report is as follows:

Michael A. Eustace, Secretary
H. O. Financial Limited
37 Prince Arthur Avenue, Suite 300
Toronto, Ontario M5R 1B2

Telephone: 416-964-6200
FAX: 416-964-8779

Item 9 Date of Report

August 16, 2006

EARLY WARNING PRESS RELEASE

August 16, 2006

TORONTO, CANADA -- H. O. FINANCIAL LIMITED (TSX Venture: HOF) wishes to announce that Geoffrey Matus, a Director and Chairman of the Board of H. O. Financial Limited (the "Company"), has acquired beneficial ownership of or control over an additional 464,040 Common Shares of the Company. Together with the 1,533,360 Common Shares of the Company beneficially owned or controlled by Mr. Matus, Mr. Matus beneficially owns or controls an aggregate 1,997,400 Common Shares, which represents approximately 17.52% of the 11,398,668 Common Shares of the Company presently issued and outstanding. The securities were acquired in part from a Senior Officer and Director of the Company by private agreement and through purchases in the market.

There is no person or company acting jointly or in concert with Mr. Geoffrey Matus in connection with the ownership of, or control over the securities acquired.

The 464,040 Common Shares were acquired for cash consideration at an average price of $1.00 Canadian per share for aggregate consideration of approximately $464,040. Mr. Matus acquired the Common Shares for investment purposes only and has no current intention to acquire ownership of, or control over, additional securities of the Company. This intention may change subject to market conditions.

The TSX Venture Exchange does not accept responsibility for the adequacy or accuracy of the information contained in this news release.

For further information please contact Mr. Michael A. Eustace, Secretary, Telephone No. 416-964-6200 and FAX No. 416-964-8779.