

FORM 51-102F3

MATERIAL CHANGE REPORT

Item 1 Name and Address of Company

The name of the reporting issuer is Hy-Drive Technologies Ltd. (the "Issuer"). Its head office is 6760 Campobello Dr., Mississauga, Ontario, L5N 2L8.

Item 2 Date of Material Change

The material change occurred on January 31, 2005.

Item 3 News Release

A press release in connection with the material change was issued in Ontario on February 1, 2005, a copy of which as issued is annexed hereto as Schedule "A".

Item 4 Summary of Material Change

The material change is summarized in the press release annexed hereto as Schedule "A".

Item 5 Full Description of Material Change

A full description of the material change is provided in Item 4 herein.

Item 6 & 7 Reliance on subsection 7.1(2) or (3) of National Instrument 51-102 and Omitted Information

The Issuer is not relying on 7.1(2) or (3) of National Instrument 51-102 for the filing of this report nor is any information being omitted in reliance thereon.

Item 8 Executive Officer

For further information with respect to this report, please contact Tom Brown, President of the Corporation, at: (905) 542-3024.

Item 9 Date of Report

DATED at Toronto, Ontario this 1st day of February, 2005.

HY-DRIVE TECHNOLOGIES LTD.

Per: Signed "Tom Brown"
Tom Brown
President Officer and Director

Schedule "A"

Hy-Drive Technologies and Martinrea Sign License Agreement

Companies to develop automotive Hydrogen Generating System aimed at significantly reducing emissions, improving fuel economy and engine performance; Martinrea makes strategic investment in Hy-Drive

TORONTO, Feb. 1 /CNW/ - Hy-Drive Technologies Ltd. (TSX-V: HGS), a hydrogen-based energy and power technology firm, and Martinrea International Inc. (TSX: MRE), a leader in the production of quality metal parts, assemblies and modules and fluid management systems focused primarily on the automotive sector, today announced that they have signed a license agreement under which the companies will jointly develop an automotive Hydrogen Generating System (HGS) for automobiles and light trucks based on proprietary, patented technology developed by Hy-Drive and its predecessor company.

The HGS generates and injects small amounts of hydrogen gas into the combustion chamber of a regular internal combustion engine creating an enriched air mixture and a more complete and faster burn of the air-fuel mixture. Based on Hy-Drive's extensive testing and trials conducted to date on a wide variety of internal combustion engines, Hy-Drive's HGS has demonstrated substantial performance enhancements, including fuel savings and reduced carbon monoxide, nitrous oxide and particulate matter.

"We are extremely pleased to have the opportunity to work with Martinrea, a Tier 1 automotive parts supplier with world-leading capabilities, a strong customer base, and a deep commitment to innovation," said Tom Brown, President of Hy-Drive. "This marks a major milestone for our company and represents a strong endorsement of our technology. With years of research and development work behind us, numerous successful tests and trials, and a growing number of commercial orders in the trucking sector, we believe we are now well positioned to capitalize on this significant opportunity in the automotive industry."

"This agreement is in line with our long-held commitment to innovation and thought leadership in product development and manufacturing," said Fred Jaekel, President and Chief Executive Officer of Martinrea. "The Hy-Drive HGS offers one of the best solutions to air pollution on the market today and has high potential to help our automotive customers meet their objectives to develop more fuel efficient and environmentally friendly vehicles. Technologies that improve fuel consumption and reduce pollution are a central part of our approach to fluid and fuel management, and are important to sound environmental management as a public benefit."

The companies will focus on modifying Hy-Drive's existing HGS, which will include reducing the size of the system for automotive market.

Under the terms of the agreement, Martinrea was granted the exclusive worldwide license for the development of Hy-Drive's technology for the automotive industry. Martinrea will fund automotive related development costs and will pay a royalty to Hy-Drive based on pre tax profits, when earned. In addition, Martinrea subscribed for one million units of Hy-Drive for gross proceeds to Hy-Drive of \$800,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles Martinrea to purchase one common share at a price of \$1.30 for a period of two years from the date hereof, unless Hy-Drive's common shares are listed on Tier 1 of the TSX Venture Exchange prior to the end of such two year period, in which case the warrants will be exercisable for a period of five years from the date hereof.

As consideration for Martinrea entering into the licence agreement, Hy-Drive issued an additional 1,000,000 common share purchase warrants to Martinrea. These warrants have an exercise price of \$1.90 but all other terms and conditions are identical to the warrants partially comprising the units. The securities issued pursuant to the transactions, including any common shares issuable upon exercise of the warrants, will be subject to resale restrictions for a period of four months.

For additional background on the HGS and how it works, please go to www.hy-drive.com and for further information about Martinrea please go to their web site, which is www.martinrea.com. Both of the two companies' public documents can be found on www.sedar.com.

About Hy-Drive

Hy-Drive is an energy technology firm that has developed a patented Hydrogen Generating System ("HGS") and, along with its predecessor company, was the pioneer in its area. The Hy-Drive HGS generates and injects small amounts of hydrogen gas into the combustion chamber of a regular internal combustion engine, creating an enriched air mixture and a more complete and faster burn of the air-fuel mixture. Based on testing trials to date, the Hy-Drive HGS has shown significant performance enhancement on a wide variety of internal combustion engines. These benefits include: significant fuel savings; noticeable horsepower and performance improvements; substantial reductions of harmful emissions, including carbon monoxide, particulate matter and nitrous oxides; and a cleaner burning engine resulting in less maintenance.

Forward-Looking Statements

This press release contains forward-looking statements based on assumptions, uncertainties and management's best estimates of future events. When used herein, words such as "intend" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on assumptions by and information available to Hy-Drive and Martinrea ("the companies"). Investors are cautioned that such forward-looking statements involve risks and uncertainties. Important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements include such risks and factors as are detailed from time to time in the periodic reports filed by the companies with regulatory authorities. Actual results may differ materially from those currently anticipated. The companies have no intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The TSX Venture Exchange has in no way passed upon the merits of the proposed transaction and has neither approved nor disapproved the contents of this press release.

For further information: please contact:

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