

FORM 51-102F3

MATERIAL CHANGE REPORT

Item 1 Name and Address of Company

Hy-Drive Technologies Ltd.
6705 Millcreek Drive, Unit 4
Mississauga, Ontario L5N 5M4

Item 2 Date of Material Change

November 17, 2009

Item 3 News Release

A news release with respect to the material change referred to in this report was disseminated through Canada NewsWire on November 17, 2009 and subsequently filed on SEDAR.

Item 4 Summary of Material Change

Hy-Drive Technologies Ltd. ("Hy-Drive") announced that a final agreement ("Final Agreement") had been executed with respect to the previously disclosed, non-binding Memorandum of Understanding (the "MOU") to acquire intellectual property assets (the "IP Asset") and for the development of enhancements for the HGS[®] (the "Modules").

Item 5 Full Description of Material Change

Hy-Drive announced that a Final Agreement had been executed with respect to the previously disclosed, non-binding MOU to acquire the IP Asset and for the development of enhancements for the Modules.

The MOU was with an arms length party for an amount to be paid by the issuance of 3,250,000 common shares of Hy-Drive (the "Shares") and share purchase warrants of Hy-Drive (the "Warrants"), as detailed in its October 30, 2008 press release. The Shares and Warrants were subject to restrictive escrow requirements prior to being tradable.

The Final Agreement provides that the purchase price of the IP Asset shall be satisfied by the issuance by Hy-Drive of: (i) 650,000 Shares; and (ii) an aggregate of 650,000 Warrants, as follows: 390,000 Warrants exercisable at a price equal to the higher of: (i) \$4.50 per share and (ii) the applicable market price of the Shares on the TSX Venture Exchange (the "TSX-V") at the respective dates of issuance of such Warrants (the "\$4.50 Warrants"); 195,000 Warrants exercisable at a price equal to the higher of: (i) \$5.00 per share and (ii) the applicable market price of the Shares on the TSX-V at the respective dates of issuance of such Warrants (the "\$5.00 Warrants"); and 65,000 Warrants exercisable at a price equal to the higher of: (i) \$8.00 per share and (ii) the applicable market price of the Shares on the TSX-V at the respective dates of issuance of such Warrants (the "\$8.00 Warrants"). The Shares and Warrants (and Warrant Shares, if any, issued upon exercise of such Warrants) issued pursuant to the Final Agreement may not be sold until the earlier of (i) two (2) years from the date of issue; and (ii) the date upon which the Share Price exceeds \$4.50 per share for sixty (60) consecutive trading days and provided that, prior to such date, Hy-Drive has reported two (2) consecutive quarters' revenue related to the sale of the

HGS® utilizing the IP Asset. In addition, the Shares and Warrants (and Warrant Shares, if any) shall be subject to all prescribed regulatory hold periods. The \$4.50 Warrants will expire two (2) years after their issue date. The \$5.00 Warrants and \$8.00 Warrants will expire five (5) years after their issue date. If Hy-Drive is the subject of a successful take-over bid, all Warrants will become exercisable immediately.

For each Module, other than the first Module, Hy-Drive will pay the sum of \$300,000 plus exigible taxes and issue an aggregate of 520,000 Shares and 520,000 Warrants, as follows: 312,000 \$4.50 Warrants; 156,000 \$5.00 Warrants; and 52,000 Warrants \$8.00 Warrants. All such Shares and Warrants are subject to the trading restrictions noted above and all prescribed regulatory hold periods.

With respect to the first Module, Hy-Drive has paid the sum of \$786,355 plus exigible taxes in respect of such work and shall issue an aggregate of 260,000 Shares and 260,000 Warrants, as follows: 156,000 \$4.50 Warrants; 78,000 \$5.00 Warrants; and 26,000 \$8.00 Warrants. which, in the aggregate, shall constitute, together with such cash payment, the entire compensation due and owing in respect of such portion of the first Module. When the remainder of the first Module has been validated, Hy-Drive shall issue an aggregate of 260,000 Shares and 260,000 Warrants as follows: 156,000 \$4.50 Warrants; 78,000 \$5.00 Warrants; and 26,000 \$8.00 Warrants, which shall satisfy all compensation owing in respect of the first Module. All such Shares and Warrants are subject to the trading restrictions noted above and all prescribed regulatory hold periods.

The IP Asset and Module development progressed subsequent to the signing of the MOU and prior to completion of the Final Agreement and the resulting enhancements to the HGS® contributed to the successful third party validation noted in a prior press release.

The Final Agreement is subject to receipt of all regulatory approvals, including that of the TSX-V.

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

Hugo Sørensen, President and Chief Executive Officer, (905)542-3024 x222.

Item 9 Date of Report

November 27, 2009.

Cautionary Note Regarding Forward-Looking Information:

This material change report contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, information concerning the development of Hy-Drive's HGS technology. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects", or "does not expect",

"is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate", or "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur", or "be achieved". Forward-looking information is based on the opinions and estimates of management at the date the information is made, and is based on a number of assumptions and subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking information. Many of these assumptions are based on factors and events that are not within the control of Hy-Drive and there is no assurance they will prove to be correct. Factors that could cause actual results to vary materially from results anticipated by such forward-looking information include receipt of all requisite regulatory approvals, risks associated with the commercialization of certain intellectual property as well as those risk factors discussed in Hy-Drive's Management's Discussion and Analysis for the period ended September 30, 2009 at www.sedar.com. Although Hy-Drive has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Hy-Drive undertakes no obligation to update forward-looking information if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader is cautioned not to place undue reliance on forward-looking information.