MATERIAL CHANGE REPORT

1. Reporting Issuer:

HydraLogic Systems Inc.
210 Saunders Road
Barrie, ON
L4N 9A2

2. Date of Material Change:

January 28, 2005

3. Press Releases:

Press releases in respect of this material change were issued on January 5, 2005 and January 31, 2005.

4. Summary of Material Changes:

HydraLogic Systems Inc. (**"HydraLogic"**) (TSXV:HLS) has completed the sale of 3,452,500 units, by way of private placements.

5. Full Description of Material Changes:

HydraLogic completed a private placement whereby a total of 3,452,500 units, of which 1,932,500 units were issued on December 21, 2004 and 1,520,000 units were issued on January 28, 2005, for total proceeds of $3,452,500.

Each unit consists of one common share and one-half of one Class C share purchase warrant. Each whole Class C share purchase warrant entitles the holder thereof to purchase one common share of HydraLogic at a price of $1.25 per share at any time on or before June 30, 2006.

Kingsdale Capital Markets Inc. acted as agent of HydraLogic in this offering. Kingsdale received a commission of 7% of gross proceeds and was issued compensation options equal to 10% of the number of units purchased under the offering. The compensation options may be exercised at a price of $1.00 per unit until June 30, 2006. In addition, two registered securities salesmen will receive 0.7% of the gross proceeds and options to purchase 1% of the units sold, at a price of $1.00 per unit at any time on or before June 30, 2006 in consideration for their waiving of their right-of-first-refusal in respect of the private placement.

6. Reliance on Section 75(3) of the Act:

N/A

7. Omitted Information:

No significant facts have been omitted from this report.

8. Senior Officer:

E. Bruce Clark, Chief Financial Officer, is knowledgeable about the material change in this report and may be contacted at (705) 735-9535.

9. **<u>Statement of Senior Officer</u>:**

The foregoing accurately discloses the material change referred to herein.

DATED at Toronto, Ontario, this 2nd day of February, 2005.

(Signed) *"E. Bruce Clark"*
E. Bruce Clark, Chief Financial Officer