FORM 51-102F3
MATERIAL CHANGE REPORT

Item 1 – Name and Address of Company

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

Item 2 – Date of Material Change

January 5, 2006

Item 3 – News Release

The news release reporting the Material Change described in this report was issued in Toronto, Ontario on January 6, 2006.

The news release was distributed through CCNMatthews and is attached hereto as Schedule "A" and incorporated by reference herein.

Item 4 – Summary of Material Change

On January 6, 2006, HydraLogic Systems Inc. ("HydraLogic") announced that it had successfully completed its previously announced private placement of units described in a press release dated October 7, 2005. A total of 10,000,000 units were sold for gross proceeds of $5,000,000.

Item 5 – Full Description of Material Change

Private Placement

HydraLogic announced January 6, 2006 that it has successfully completed the private placement of 10,000,000 units for gross proceeds of $5,000,000. Each unit consists of one common share and one-half of one share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one common share of the Company at a price of $0.70 per share for a period of two years. All of the securities issued under the private placement are subject to a 4-month hold period.

Kingsdale Capital Markets Inc. acted as agent of the Company in this offering and received a commission of 7% of the gross proceeds and broker warrants entitling it to purchase 10% of the number of units sold at a price of $0.50 per unit for a period of two years following closing.

The proceeds of the offering is intended to be used to fund the acquisition by the Company of Sager Industries Ltd. and for general corporate purposes.

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

For further information, please contact Bruce Clark, Chief Financial Officer, at the above-mentioned address or at 705.735.9535.

Item 9 – Date of Report

As of January 10, 2006

Schedule "A"
Press Release

HYDRALOGIC ANNOUNCES SUCCESSFUL COMPLETION OF PRIVATE PLACEMENT OF UNITS

NOT FOR DISTRIBUTION TO U.S. NEWSWIRE SERVICES NOR FOR DISSEMINATION IN THE UNITED STATES

BARRIE, ONTARIO, JANUARY 6, 2006 – HydraLogic Systems Inc. (TSX V: HLS) announced today that it has successfully completed its previously announced private placement of 10,000,000 units, each unit consisting of one common share and one-half of one share purchase warrant, for total proceeds of $5,000,000. Each whole share purchase warrant entitles the holder thereof to purchase one common share of the Company at a price of $0.70 per share for a period of two years. All of the securities issued under the private placement are subject to a 4-month hold period.

Kingsdale Capital Markets Inc. acted as agent of the Company in this offering and received a commission of 7% of the gross proceeds and broker warrants entitling it to purchase 10% of the number of units sold at a price of $0.50 per unit for a period of two years.

The proceeds of the offering are intended to be used to fund the recent acquisition by the Company of Sager Industries Ltd. and for general corporate purposes.

About HydraLogic Systems Inc. – www.hydralogic.ca

HydraLogic Systems Inc. is an environmental technology company that is focused on the replacement of harmful polluting chemicals with non-toxic organic solutions. Its technologies are being commercialized through distribution partnerships with leading regional, national and international companies with clientele in the waste management, pest control and agricultural products industries.

This press release may contain forward-looking statements and involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from the results, performance or achievements expressed or implied by the forward-looking statement. Factors that impact such forward-looking statements include, a month others, changes in general economic conditions, interest rates, government regulations and competition. The Company disclaims any intention or obligation to update or revise and forward-looking statements unless required by applicable law.

The TSX VENTURE EXCHANGE has neither approved nor disapproved the contents of this press release.

For More Information Contact:
Genoa Management
Ali Mahdavi
(416) 962-3300 ext. 225
amahdavi@genoa.ca