**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**

May 30, 2006 and June 1, 2006

**Item 3 – News Release**

News releases reporting the Material Changes described in this report were issued in Toronto, Ontario on May 31, 2006 and June 1, 2006.

The news releases were distributed through CCNMatthews and are attached hereto as Schedules "A" and "B" and incorporated by reference herein.

**Item 4 – Summary of Material Change**

On May 31, 2006, HydraLogic Systems Inc. ("HydraLogic") completed a private placement of 2,448,000 common shares were sold for gross proceeds of $1,836,000.

On June 1, 2006, HydraLogic acquired the assets and operations of Bayou City Mosquito Control Systems, Ltd. ("Bayou").

**Item 5 – Full Description of Material Change**

Private Placement

On May 30, 2006 HydraLogic successfully completed a private placement of 2,448,000 common shares, at a price of $0.75 per share, for gross proceeds of $1,836,000. 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 common shares sold at a price of $0.75 per share for a period of two years following closing.

The proceeds of the offering were used to fund the asset acquisition of Bayou and for general corporate purposes.

Acquisition of Bayou City Mosquito Control Ltd.

On June 1, 2006, HydraLogic purchased all of the assets and operations of Bayou, a privately owned company based at Houston, Texas. Bayou is a mature, reputable full service mosquito control company that will bring to HydraLogic numerous highly skilled professionals with in-depth knowledge and relationships in the industry.

The acquisition will allow HydraLogic to introduce, market and sell its superior products through the reputable and long standing relationships of Bayou. Given HydraLogic's geographic reach into the Southern United States, and its track record and abilities as a consolidator, management anticipates significant growth to be realized through a combination of organic growth and acquisitions. HydraLogic is now very well positioned to compete with the four leading companies in the United States.

## 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 June 5, 2006

**Schedule "A"**
**Press Release**

**HYDRALOGIC ANNOUNCES SUCCESSFUL COMPLETION OF PRIVATE PLACEMENT OF COMMON SHARES AND EXTENSION OF EXPIRY DATE OF CLASS C SHARE PURCHASE WARRANTS**

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

**BARRIE, ONTARIO, MAY 31, 2006 –** HydraLogic Systems Inc. (TSX V: HLS) announced today that it has successfully completed its previously announced private placement of 2,448,000 common shares, at a price of $0.75 per share, for total proceeds of $1,836,000. 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 common shares sold at a price of $0.75 per share for a period of two years.

The proceeds of the offering are intended to be used to fund the pending the assets acquisition by the Company of Bayou City Mosquito Control Systems, Ltd. of Houston, Texas, and for general corporate purposes.

The Company also announced that it has extended the expiry date of its Class C Share Purchase Warrants from June 30, 2006 to November 30, 2006. There are 1,726,250 Class C Share Purchase Warrants outstanding, each of which is exercisable into a common share of the Company at $1.25 per common share.

**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

## Schedule "B"
## Press Release

### HYDRALOGIC COMPLETES ACQUISITION OF BAYOU CITY MOSQUITO CONTROL LTD.

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

**TORONTO, ONTARIO, JUNE 1, 2006** – HydraLogic Systems Inc. (TSX V: HLS) announced today that it has completed the acquisition of all the assets and operations of privately owned, Houston, Texas based Bayou City Mosquito Control Ltd. ("Bayou"). Bayou is a mature, reputable full service mosquito control company that will bring to HydraLogic numerous highly skilled professionals with in-depth knowledge and relationships in the industry.

The acquisition will allow HydraLogic to introduce, market and sell its superior products through the reputable and long standing relationships of Bayou. Given the Company's geographic reach into the Southern United States, and its track record and abilities as a consolidator, management anticipates significant growth to be realized through a combination of organic growth and acquisitions. HydraLogic is now very well positioned to compete with the four leading companies in the United States.

"Building a footprint in the Southern United States has always been part of our growth strategy," noted Michael Beckley, President and Chief Executive Officer of HydraLogic Systems Inc. "Our recent successes and strong sales growth rate has allowed us to take this step and enter a new era of growth in the most demanding market in the United States. We expect significant increases in sales, while also reducing the historical seasonality impact to our business due to the cooler months of the year. The climate in the Southern United States will require mosquito control products and solutions all year round."

About HydraLogic

HydraLogic Systems Inc. is an environmental technology company that is focused on the replacement of harmful polluting chemicals with non-toxic environmentally responsible 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, among others, changes in general economic conditions, interest rates, government regulations, and competition. The Company disclaims any intention or obligation to update or revise any 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