MATERIAL CHANGE REPORT

Item 1 Name and Address of Company

Comnetix Inc. (the “Corporation”), 2872 Bristol Circle, Suite 100, Oakville, Ontario, L6H 6G4

Item 2 Date of Material Change

August 23, 2004.

Item 3 News Release

A news release with respect to the material change referred to in this report was filed by the Corporation through PR Newswire on August 23, 2004 and filed on SEDAR. A copy of the news release is attached to this report as Appendix “A”.

Item 4 Summary of Material Change

The Corporation announced that that it has signed a share purchase agreement to acquire International Fingerprinting Services Canada Ltd.

Item 5 Full Description of Material Change

The Corporation announced that it has signed a share purchase agreement to acquire privately held, Ottawa-based, International Fingerprinting Services Canada Ltd. (“IFSC”), a well-established provider of non-criminal fingerprint services with a significant customer base throughout Canada. The purchase price is CDN $1,600,000, with half of the purchase price to be paid in cash and the other half by way of issuance of approximately 624,756 common shares of the Corporation. The common shares to be issued will be subject to contractual restrictions on resale for a period of six months. In addition, approximately 40 per cent of the common shares to be issued will be subject to a one-year contractual escrow. Subject to the satisfaction of certain closing conditions and regulatory approval, the transaction is expected to close by October 15, 2004.

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 contact James P. Scullion, Chief Executive Officer, who is knowledgeable about the material change and this report, at (905) 829-9988 or (408) 879-7420.

Item 9 Date of Report

DATED as of this 2nd day of September, 2004.

COMNETIX INC.

By: *"Tim Zahavich""*
Tim Zahavich
Chief Financial Officer

APPENDIX “A”

See attached.

COMNETIX INC SIGNS AGREEMENT TO ACQUIRE INTERNATIONAL FINGERPRINTING SERVICES CANADA (IFSC) LTD

Company's First Acquisition Provides Entrée into New Area of Business, Diversifies Revenue Stream and Expands Presence in Canadian Biometric Market

TORONTO, August 23, 2004 – Comnetix Inc (TSX: CXI), a leading provider of biometric identification and authentication solutions, announced that it has signed a share purchase agreement to acquire privately held, Ottawa-based International Fingerprinting Services Canada Ltd ("IFSC"), a well-established provider of non-criminal fingerprint services with a significant customer base throughout Canada. The purchase price is CN $1,600,000, with half of the purchase price to be paid in cash and the other half by way of issuance of approximately 624,756 common shares of Comnetix. The common shares to be issued will be subject to contractual restrictions on resale for a period of six months. In addition approximately 40 percent of the common shares to be issued will be subject to a one-year contractual escrow. Subject to the satisfaction of certain closing conditions and regulatory approval, the deal is expected to close by October 15, 2004.

"I am pleased to announce our first acquisition, as it is significant for several reasons," said Comnetix Chief Executive Officer Jim Scullion. "As we set out in our prospectus, entry into the fingerprinting services business is a strategic objective – the acquisition of IFSC provides an established customer base, governmental designations and over 10 years of industry credibility. It also diversifies our revenue stream by adding fingerprint services revenue to our base of product sales and maintenance contract revenue. In addition the acquisition of IFSC furthers our reach within the Canadian market and we expect will establish Comnetix as one of the largest non-governmental contributors of civilian fingerprint background checks to the Royal Canadian Mounted Police (RCMP).

"We intend to upgrade IFSC's current ink-and-roll methodologies by automating the process using our live-scan technology, and look forward to offering a broader range of biometric technologies, as well as pathways to expanding and upgrading applications, to IFSC customers. In particular I look forward to working personally with John Conohan, who will join Comnetix as its Vice President of Fingerprinting Services and will continue to operate IFSC as a wholly owned subsidiary of Comnetix."

IFSC Chief Executive Officer, John Conohan, stated, "More and more, the public and private sectors are requiring employees' clearance of criminal records through fingerprinting and background checks. With the increasing demand for these services, we look forward to being part of Comnetix, which has the management, technology and financial resources to better position us in this growing market opportunity. In addition we look forward to implementing Comnetix's biometric solutions, which increase workflow efficiencies, and hence productivity, while maintaining the integrity of the fingerprint process."

IFSC has 10 locations throughout Canada and has provided fingerprinting services to individuals for the purpose of obtaining a police clearance/certificate of no convictions for various reasons, including: employment (both by large companies and most all departments of the Canadian government), pardons, international adoptions, child identification and Canadian citizenship. Currently IFSC processes approximately 70,000 criminal history requests across Canada each year, and is the only US Department of State designated fingerprinting service provider in Canada for persons applying for Immigrant Visas to the US.

Comnetix and IFSC will be hosting Kid's Identification Day (KID Day) in partnership with the Children's Hospital of Eastern Ontario (CHEO) today from 11:30 a.m. to 7:00 p.m. at Ottawa's Central Canadian Exhibition. KID Day is designed to: provide parents with free fingerprint and child identification kits and the tools and resources to help prevent child abduction; to raise funds for the CHEO Foundation; and to raise awareness of evolving biometric technologies.

About International Fingerprinting Services Canada (IFSC) Ltd (www.policecheck.com)

Since 1994 International Fingerprinting Services Canada (IFSC) Ltd has been providing non-criminal fingerprinting services to a number of clients across Canada for the purposes of obtaining a "Canadian Police Clearance Certificate" from the RCMP and from other police departments around the world. Since the beginning IFSC has maintained the integrity of the fingerprinting process by imbedding a digitized photograph of the individual being fingerprinted onto the fingerprint form. This, combined with a secure fingerprint form, ensures against stand-ins and deters attempts to tamper with the form. Some of IFSC's clients include applicants for Immigration to Canada and other countries in the world, applicants for citizenship, employment applicants for various governmental and private agencies, pardon applicants and for a variety of other personal reasons. IFSC is accredited for taking of non-criminal fingerprints in Canada and subsequent submission to the RCMP and/or the FBI.

About Comnetix Inc (www.Comnetix.com)

Comnetix provides secure criminal identification and authentication hardware and software to law enforcement agencies throughout North America. It also offers secure commercial systems for use in areas such as applicant screening, financial services, health care, transportation, airlines and airports, casinos and gaming, and energy/utilities. Clients include American Airlines, Lehman Brothers, New York State Health and Hospital Corporation, New York State Department of Criminal Justice Services, Toronto Police Services Board, Boston Police Department and the Royal Canadian Mounted Police. Comnetix offers packaged and custom-designed multimode biometric identification systems.

Statements made in this news release that relate to future plans, events or performances are forward-looking statements. Any statement in this release containing words such as "believes", "plans", "expects" or "intends" and other statements which are not historical facts are forward-looking, and these statements involve risks and uncertainties and are based on current expectations. Consequently, actual results could differ materially from the expectations expressed in these forward-looking statements.

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For further information

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