

Form 51-102F3
MATERIAL CHANGE REPORT

ITEM 1 Reporting Issuer

Preo Software Inc. ("Preo")
Suite #300, 3553 – 31st Street N.W.
Calgary, Alberta T2L 2K7

ITEM 2 Date of Material Change

June 29, 2011

ITEM 3 News Release

A press release setting out information relating to the material change described herein was issued by Preo on June 29, 2011 and disseminated through the facilities of Marketwire, Inc.

ITEM 4 Summary of Material Change

Prereleased management prepared financial statements for the quarter ended March 31, 2011.

ITEM 5 Full Description of Material Change

See the press release attached hereto as Schedule "A".

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

Gary McCone, President
Tel: (403) 265-0556/3258

ITEM 9 Date of Report

June 29, 2011

Schedule "A"

PRESS RELEASE

Q1 2011 Software License Revenues Increase By 175% Over Q1 2010

Calgary, Alberta (June 29, 2011)—Preo Software Inc. (Preo) is pleased to report a 175% increase in revenues generated from software licenses as compared to the same period last year. In addition, the Company achieved gross margins of 90% during the three months ended March 31, 2011.

As a result, net loss during Q1 2011 was 21.5% lower than Q1 2010 (\$451,555 vs \$575,324).

"I am very pleased with our first quarter numbers", said Gary McCone, Preo's President and CEO. "This is further evidence that we are gaining traction in our commercialization initiatives. The commencement of product roll out by our current channel combined with the addition of new industry leading partners bodes well for future quarters."

In addition, during the quarter, the Company closed the previously announced private placement of convertible debentures for gross proceeds of \$1,120,000. An additional \$80,000 was raised subsequent to quarter end.

The following is the Company's first quarter statement of comprehensive income:

	Three months ended March 31, 2011 (unaudited)	Three Months Ended March 31, 2010 (unaudited)
Continuing operations		
Revenue		
Software licenses	\$ 278,055	\$ 101,166
Consulting services	-	94,923
	<u>278,055</u>	<u>196,089</u>
Cost of sales	<u>(26,784)</u>	<u>(33,864)</u>
Gross profit	251,271	162,225
Expenses		
Research and development	(232,266)	(231,846)
General and administration	(213,009)	(191,433)
Sales and marketing	(196,130)	(205,701)
Stock-based compensation	(56,047)	(47,619)
Amortization	(7,237)	(10,039)
Foreign exchange loss	(2,770)	(11,720)
	<u>(707,459)</u>	<u>(698,358)</u>
Finance expense		
Accretion	(10,488)	(39,191)
Interest	(6,926)	-
	<u>(17,414)</u>	<u>(39,191)</u>
Net loss	(473,602)	(575,324)
Future tax recovery	22,407	-
Total comprehensive loss	(451,555)	(575,324)
Earnings per share:		
Basic and diluted earnings per share	\$ (0.01)	\$ (0.03)

About Preo Software Inc.:

Preo Software Inc. is the market leader in providing Print Knowledge Management Systems (PKMS) to enterprises, select OEM's, and Managed Print Services providers around the world. Printelligence, the company's award winning flagship SaaS (Software as a Service) offering empowers corporate clients to optimize their print assets, reduce print volumes, all the while yielding significant cost savings and reducing the environmental footprint.

Preo maintains offices in both Canada and the United States with products deployed in over three thousand organizations worldwide.

Printelligence™ MPS is a SaaS based print knowledge management system that is licensed to select Original Equipment Manufacturers (OEM's) and Managed Print Providers to seamlessly integrate into their MPS business processes. Printelligence™ MPS is an enterprise application that empowers knowledge-workers by promoting accountability, awareness and positive behavioral change to maximize value and reduce the cost of print ...*without negatively affecting end-user productivity.*

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Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

This news release contains forward looking statements. Actual results may vary significantly.

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