

HYDRALOGIC SYSTEMS INC.

FORM 51-102F3

MATERIAL CHANGE REPORT

Pursuant to Subsection 75(2) of the *Securities Act* (Ontario) and corresponding provisions of the securities legislation in the other provinces

Item 1: Name and Address of Company

HydraLogic Systems Inc. ("HydraLogic" or the "Company")
59 Penn Drive
Toronto, ON M9L 2A6

Item 2: Date of Material Change

April 30, 2009

Item 3: News Release

A news release in respect of the material change was issued on April 30, 2009 through the facilities of Canada NewsWire and was subsequently filed on SEDAR and is attached hereto as Schedule A.

Item 4: Summary of Material Changes

As of April 30, 2009, the Company was in breach of financial covenants with CCM Master Qualified Fund, Ltd. ("CCM"), relating to the September 5, 2008 investment agreement. In particular, the Company reported Q3 & Q4 08' consecutive quarters with negative Net Income (after adding back (i) Amortization, (ii) Depreciation, (iii) Taxes and (iv) Interest).

See the press release attached hereto as Schedule A.

Item 5: Full Description of Material Change

(i) Description of the Transaction

On September 5, 2008, the Company entered into an Investment Agreement with CCM pursuant to which CCM invested US\$2,000,000 in the Company in exchange for the Secured Convertible Promissory Note and 18,181,818 Warrants. Part 7 (e) of the Promissory note states, "From the date hereof, the Borrower shall have reported in its financial statements two consecutive quarters with negative Net Income (after adding back (i) amortization, (ii) depreciation, (iii) taxes and (iv) interest, each as set forth in the Company's financial statements delivered to the lender.

Given the complexity of the business and complications with the audit, Management relied on the results of the audited financial statements before making any formal notice that it could be in breach of financial covenants with CCM. Management received a draft auditors' report on the Financial Statements from its auditor, BDO Dunwoody LLP, on April 26 with final revisions made and posted on April 30, 2009. On this same day, the Company reported the violation in its fourth quarter and fiscal 2008 financial results press release, Management's Discussion and Analysis (MD&A) and Financial Statements.

(ii) Related Party Disclosure

CCM has beneficial ownership of, or control or direction over, directly or indirectly, more than 10% of the Common Shares of HydraLogic. Accordingly, the September 5th, 2008 Financing was a "related party transaction" for the purposes of National Instrument 61-101 – "Protection of Minority Share Holders in Special Transactions" ("MI 61-101"). The financing was exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 based on the financial hardship exemption set out in paragraph 8 of subsection 5.5 and paragraph 6 of subsection 5.7 in MI 61-101. The board of directors of HydraLogic, including all the independent directors, acting in good faith, determined in accordance with MI 61-101 that: (i) HydraLogic was in serious financial difficulty; (ii) the transaction was designed to improve the Company's financial position; and (iii) the terms of the transaction were reasonable in the circumstances of HydraLogic.

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

Michael Beckley, President and Chief Executive Officer, is knowledgeable about the material change and may be reached by telephone at (416) 740-3900.

Item 9: Date of Report

As of November 10, 2009

News Release

HydraLogic Reports Fourth Quarter and Fiscal 2008 Year End Financial Results

Toronto, April 30, 2009 – HydraLogic Systems Inc. ("HydraLogic" or the "Company") (TSX.V: HLS, OTC Pink Sheet: HYSYF) today announced the Company's financial operating results for the fourth quarter and fiscal year ending December 31, 2008 for which Financial Statements and Management's Discussion & Analysis have been filed on www.sedar.com.

Information in table is thousands CDN \$ except per share data

	Q4- 2008	Q4- 2007	Fiscal	Fiscal
<u>Year Ending December 31, 2008</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>2008</u>	<u>2007</u>
Revenue	\$1,132	\$1,469	\$7,258	\$7,308
Gross Profit	259	745	3,890	3,870
Net Loss	(5,483)	(2,268)	(5,967)	(4,140)
Basic and diluted (Loss) per Share	\$(0.08)	\$(0.03)	\$(0.10)	\$(0.09)

Highlights:

- Fiscal year end results – revenue flat in 2008
- \$647,000 improvement in EBITDA¹ or 29 % over comparative period in 07'
- Significant non-cash expense make up approximately \$4.6M – over 75% of reported loss in 08'
- Gross Margin increase of 2% over 07' to 54%

¹ *Earnings before income taxes, depreciation and amortization*

"While flushed with growth opportunity, the Company undertook a disciplined approach to reducing operating costs, consolidate operations and to optimize sales within its current business units", explained Michael Beckley, President and Chief Executive Officer of HydraLogic Systems Inc. "Growth and our ability to implement improvement were greatly impaired by a weak working capital position and difficult economic conditions, particularly in the US where we recorded 67% of our annual revenues. Despite these conditions, the Company maintained sales revenue of \$ 7.3 million and improved EBITDA by 29 % in fiscal 2008".

"A collapse in US market and economic conditions at December 31, 2008 resulted in the Company reporting significant non-cash expense including goodwill impairment, write down and amortization of assets, warrant cost and interest expense of approximately \$4.7M or greater than 75 % of the reporting loss for the 2008 operating year".

"We achieved significant optimization in areas of manufacturing, distribution and administration with revenue creation centered around high margin reoccurring revenue platforms. While difficult to interpret, with the extent of write down taken in Q4, Management is confident in the efficiencies and

direction of the Company and continues to focus sales in lucrative geographic areas for both odour and mosquito control. The positive impact of the company's efforts to reduce operational costs continues to flush out on the balance sheet and will carry-on over the first two quarters of 2009 with severance commitments, systems integration and physical facility changes running their course".

As of April 30, 2009, the Company was in breach of financial covenants with its Lender. In particular, the Company reported Q3 & Q4 08' consecutive quarters with negative Net Income (after adding back (i) Amortization, (ii) Depreciation, (iii) Taxes and (iv) Interest). The Company is in discussions with the Lender to make amendments to the general covenants in the September 5th, 2008 Investment Agreement and is also seeking additional sources of debt and equity financing to replace the Lenders note.

Commenting on the Company's outlook for 2009, Beckley offered, "Through years of investment in products, brands and programs we have established a reliable high margin business. The Company has a clean balance sheet going into 2009 and better than ever prospects for reporting profit from its products. We have redefined the value propositions and operating efficiencies of our business units and have a pipeline of technology, alliances and opportunity to translate new sales into better bottom line performance. We maintain a steady course in the optimization of the acquired businesses including HLS Ecolo that, as recently reported, is proving successful in attracting significant distribution alliances. We will further leverage our success in having achieved a leadership position in the fastest growing segment of the entire pest industry and take steps to advance our very exciting and industry unique line of environmentally responsible mosquito control repellents and devices for prominent positions on retail shelves across the US and Canada".

About HydraLogic Systems Inc.

HydraLogic blends proprietary environmental formulations and manufactures misting systems for product application that together serve the multi-billion dollar mosquito and odour control sectors in the U.S., Canada and 20 other countries. Through its Bug Defence (www.bugdefence.com) and HLS Ecolo (www.hlsecolo.com) distribution and service businesses, the Company is a leader in providing turn-key dealer and service platforms applicable to many markets around the globe. HydraLogic Systems Inc. is listed for trading on the TSX Venture Exchange - symbol: HLS.

For further information please visit www.hydralogic.com or contact:

HydraLogic Systems Inc.

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To receive Company press releases, please email jacqueline@chfir.com and mention "HydraLogic News" on the subject line.

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

Forward-Looking Statements

This press release contains certain "forward-looking statements". These statements relate to future events or future performance and reflect expectations and belief regarding growth, results of operations, performance, business prospects, opportunities or industry performance and trends. These forward-looking statements reflect current internal projections, expectations or beliefs and are based on information currently available. A number of factors could cause actual events or results to differ materially from the results discussed in the forward-

looking statements. Although it is believed that the forward- looking statements contained in this press release are based upon reasonable assumptions, investors cannot be assured that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this press release, and HydraLogic Systems Inc. assumes no obligation to update or revise them to reflect new events or circumstances, except as required pursuant to applicable securities laws.