MATERIAL CHANGE REPORT

Section 85(1) of the *Securities Act* (British Columbia)
Section 146(1) of the *Securities Act* (Alberta)
Section 75(2) of the *Securities Act* (Ontario)
Section 81(2) of the *Securities Act* (Nova Scotia)
And Similar Provisions of Other Provincial Securities Legislation

1. **Reporting Issuer**

The name and address of the reporting issuer is:

Rally Energy Corp.
2000, 715 - 5th Avenue S.W.
Calgary, AB T2P 2X6

2. **Date of Material Change**

The material change occurred on February 5, 2003.

3. **Press Release**

A press release reporting the material change was issued on February 5, 2003 at Calgary, Alberta.

4. **Summary of Material Change**

Rally Energy Corp. ("Rally Energy") reported production in the Issaran Oilfield, announced the acquisition of surface leases for its first two exploration wells on Prince Edward Island and the conversion of its outstanding 12% Convertible Debentures.

5. **Full Description of Material Change**

Egypt

During the last three months Rally Energy has focused on completing a small scale development drilling and production optimization program preparatory to full scale development of the Issaran oilfield in Egypt. To date six successful oil wells have been drilled at a cost of less than US$250,000 per well. Field estimated oil production potential has increased substantially and currently stands at over 2,500 bbls/d. Optimization of pumping equipment, both size and type, and analysis of completion and stimulation techniques continues in order to increase production. Field estimated production was approximately 1,600 bbls/d during the last month. To date, equipment limitations have prevented us from producing all wells to capacity at the same time.

The latest two wells drilled were completed as open hole Nukhul oil producers. Well No. 23 encountered 182 feet of Nukhul reef with 170 feet of indicated pay. Well No. 24 encountered 184 feet of Nukhul reef with 144 feet of indicated oil bearing pay.

Rally Energy's initial development drilling program has concentrated on assessing drilling, completion and stimulation techniques for the Upper Dolomite and Nukhul zones. The drilling program has resulted in two Upper Dolomite and four Nukhul oil producing wells. Work is continuing on preparation of a full Issaran field development program to be implemented later this year. Rally Energy's 80 square kilometre 3D seismic program interpretation is nearing completion with the results of the six newly drilled oil wells being incorporated. Its targeted development program is currently expected to include the drilling of more than the original estimate of fourteen wells in the Issaran field by the end of 2003.

Prince Edward Island

Rally Energy has acquired surface leases for its first two exploration wells on Prince Edward Island. A public meeting will be held in Kensington, PEI, on February 11, 2003. A drilling rig will move to the first wellsite on February 15, assuming favourable weather conditions. Both initial exploration wells are targeting conventional gas at depths of less than 1,700 metres.

Debenture Conversion

All $450,000 of Rally Energy's outstanding 12% Convertible Debentures have been converted into 584,415 common shares at a conversion price of $0.77 per share. These debentures were issued in conjunction with the July, 2002 acquisition of Scimitar Hydrocarbons Corporation. As a result of this debenture conversion, Rally Energy is currently debt free and has 64,025,687 common shares and special warrants outstanding.

6. **Reliance on Confidential Disclosure Provisions**

None.

7. **Omitted Information**

None.

8. **Senior Officer**

For further information, please contact John G.F. McLeod, President and Chief Executive Officer of Rally Energy Corp. by phone at (403) 538-3709 or by fax at (403) 538-3705.

9. **Statement of Senior Officer**

The foregoing accurately discloses the material change referred to herein.

DATED February 7th, 2003 at Calgary, Alberta.

RALLY ENERGY CORP.

By: ***(signed) "John G.F. McLeod"***

John G.F. McLeod
President and Chief Executive Officer

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