MATERIAL CHANGE REPORT

UNDER SECTION 146(1) OF THE SECURITIES ACT (ALBERTA) (FORM 27)
AND UNDER COMPARABLE PROVISIONS OF OTHER PROVINCIAL SECURITIES LEGISLATION

1. Reporting Issuer:

Kensington Energy Ltd.
1700, 540 – 5th Avenue S.W.
Calgary, Alberta T2P 0M2

2. Date of Material Change:

January 22, 2004

3. Press Release:

A press release disclosing the details outlined in this Material Change Report was issued by Kensington Energy Ltd. ("Kensington") on January 22, 2004 and disseminated through the facilities of CCN Matthews and would have been received by the securities commissions where Kensington is a "reporting issuer" and the stock exchange on which the securities of Kensington are listed and posted for trading in the normal course of its dissemination.

4. Summary of Material Change:

Kensington Energy Ltd. ("Kensington" or the "Corporation") announced on January 22, 2004 that it had entered into a binding acquisition agreement whereby Kensington will, subject to certain conditions, offer to purchase all of the outstanding shares of a small, private gas-weighted producer with a focused asset base in southern Alberta by way of a cash take-over bid. Closing of the transaction is anticipated to occur by the end of February, 2004. The net cash amount to be paid by Kensington will be approximately $2.6 million based on a total cash consideration for the shares of $4.0 million, adjusted for approximately $850,000 of cash and working capital and $550,000 for a cash property disposition of certain of the acquired assets to occur immediately following closing.

5. Full Description of Material Change:

Kensington Energy Ltd. ("Kensington" or the "Corporation") announced on January 22, 2004 that it had entered into a binding acquisition agreement whereby Kensington will, subject to certain conditions, offer to purchase all of the outstanding shares of a small, private gas-weighted producer with a focused asset base in southern Alberta by way of a cash take-over bid. Closing of the transaction is anticipated to occur by the end of February, 2004.

The net cash amount to be paid by Kensington will be approximately $2.6 million based on a total cash consideration for the shares of $4.0 million, adjusted for approximately $850,000 of cash and working capital and $550,000 for a cash property disposition of certain of the acquired assets to occur immediately following closing.

Production to be acquired by Kensington, net of the disposition, will amount to 150 boe per day consisting of 90 percent natural gas and 10 percent light oil. The natural gas properties are operated, focused within Kensington's exploration corridor, and offer excellent upside opportunities for growth. The acquisition will include 15,680 gross (7,120 net) acres of land of which 4,117 net acres are undeveloped and prospective for further drilling. Kensington has identified several exploration and development opportunities on the lands and will drill its first two development wells targeting natural gas during the first half of 2004. An independent engineering reserves evaluation of the properties assigned current proved producing reserves of 0.6 bcf of natural gas and 14 mbbl of oil and natural gas liquids (total equivalent reserves of 112 mboe at 6:1).

The directors of each of Kensington and the private company have unanimously approved the transaction. The private company has agreed to pay Kensington, under certain conditions, a fee of $120,000 if the transaction is not completed. Additionally, directors, officers, and major shareholders of the private company representing approximately 63 percent of the shares on a fully diluted basis have agreed to tender their shares to the offer. The acquisition will be funded by Kensington's existing cash reserves.

6. Reliance on Section 146(2) of the *Securities Act* (Alberta) or Equivalent Sections:

Not Applicable.

7. Omitted Information:

No information has been omitted.

8. Senior Officers:

Don Wood, President or Scott Bonli, Vice President, Finance
1700, 540 – 5th Avenue S.W., Calgary, Alberta, T2P 0M2
Telephone: (403) 517-8620.

9. Statement of Senior Officer:

The foregoing accurately discloses the material change referred to in this report.

DATED effective January 22, 2004 at the City of Calgary, in the Province of Alberta.

KENSINGTON ENERGY LTD.

(signed) "Scott T. Bonli"

Per: Scott T. Bonli
Vice President, Finance and CFO

cc. Toronto Stock Exchange