MATERIAL CHANGE REPORT

Item 1. Reporting Issuer:

Nu-Sky Energy Inc.
600, 505 - 8th Avenue S.W.
Calgary, Alberta T2P 1G2

Item 2. Date of Material Change:

June 6, 2003

Item 3. News Release:

A press release reporting the material change was issued by Nu-Sky Energy Inc. on June 6, 2003 through Canada Newswire.

Item 4. Summary of Material Change:

Kinloch Resources Inc. ("Kinloch") and Nu-Sky Energy Inc. ("Nu-Sky") have concluded their respective due diligence reviews in connection with, and amended the terms of, their previously announced agreement pursuant to which it is intended that Kinloch will acquire all of the issued and outstanding shares of Nu-Sky, by way of plan of arrangement. Pursuant to the amended terms, Kinloch will deliver aggregate consideration of approximately $13,260,000 cash and 9,100,000 Kinloch common shares. Each holder of common shares of Nu-Sky will, if the arrangement becomes effective, be entitled to receive, at the election of the holder for each of such holder's common shares of Nu-Sky (i) $0.8275 per common share; or (ii) 0.8275 of a Kinloch common share; or (iii) a 59.3%/40.7% blend of cash and Kinloch common shares. However, the aggregate cash pool is $13,260,000 plus $0.8275 for each common share of Nu-Sky issued upon the exercise of outstanding stock options of Nu-Sky after June 5, 2003, and the aggregate Kinloch common share pool is 9,100,000 Kinloch common shares. Elections that would otherwise result in either pool of consideration being exceeded would be prorated.

The transaction is subject to a number of normal conditions including approvals of Nu-Sky and Kinloch shareholders, approvals of the exchanges upon which the shares are listed and court approval. In addition, the transaction is conditional upon the change of Kinloch's Series A preferred shares into common shares on a one for one basis and the availability, post acquisition, of prescribed levels of credit facilities.

The transaction has the unanimous support of all the members of both Boards of Directors. Jennings Capital Inc. acted as financial advisor for Nu-Sky in connection with this transaction and have provided a fairness opinion.

The combined company will have approximately 17,900,000 common shares outstanding (after giving effect to the conversion of the Series A preferred shares of Kinloch) and be primarily a natural gas producer.

The transaction is expected to be completed by the end of July 2003.

Kinloch Resources Inc. trades on the TSX Venture Exchange under the symbol “KTE” and Nu-Sky Energy Inc. trades on the Toronto Stock Exchange under the symbol “NUS”.

Item 5. Full Description of Material Change:

General Summary

Kinloch and Nu-Sky have concluded their respective due diligence reviews in connection with, and amended the terms of, their previously announced agreement pursuant to which it is intended that Kinloch will acquire all of the issued and outstanding shares of Nu-Sky, by way of plan of arrangement. Pursuant to the amended terms, Kinloch will deliver aggregate consideration of approximately $13,260,000 cash and 9,100,000 Kinloch common shares. Each holder of common shares of Nu-Sky will, if the arrangement becomes effective, be entitled to receive, at the election of the holder for each of such holder’s common shares of Nu-Sky (i) $0.8275 per common share; or (ii) 0.8275 of a Kinloch common share; or (iii) a 59.3%/40.7% blend of cash and Kinloch common shares. However, the aggregate cash pool is $13,260,000 plus $0.8275 for each common share of Nu-Sky issued upon the exercise of outstanding stock options of Nu-Sky after June 5, 2003, and the aggregate Kinloch common share pool is 9,100,000 Kinloch common shares. Elections that would otherwise result in either pool of consideration being exceeded would be prorated.

The transaction is subject to a number of normal conditions including approvals of Nu-Sky and Kinloch shareholders, approvals of the exchanges upon which the shares are listed and court approval. In addition, the transaction is conditional upon the change of Kinloch’s Series A preferred shares into common shares on a one for one basis and the availability, post acquisition, of prescribed levels of credit facilities.

The transaction has the unanimous support of all the members of both Boards of Directors. Jennings Capital Inc. acted as financial advisor for Nu-Sky in connection with this transaction and have provided a fairness opinion.

The combined company will have approximately 17,900,000 common shares outstanding (after giving effect to the conversion of the Series A preferred shares of Kinloch) and be primarily a natural gas producer.

The transaction is expected to be completed by the end of July 2003.

Kinloch Resources Inc. trades on the TSX Venture Exchange under the symbol “KTE” and Nu-Sky Energy Inc. trades on the Toronto Stock Exchange under the symbol “NUS”.

The Arrangement

The Arrangement will become effective at the time articles of arrangement are filed (the "Effective Time") and will be binding on (i) Kinloch; (ii) Nu-Sky; (iii) all holders and all beneficial owners of Nu-Sky Shares; and (iv) all holders and all beneficial owners of options to purchase Nu-Sky Common Shares (the "Nu-Sky Options"). At the Effective Time, the following transactions shall occur and shall be deemed to occur in the following order without any further act or formality:

(a) The Nu-Sky Common Shares shall be transferred to, and acquired by, Kinloch without any act or formality on the part of any holder of such Nu-Sky Common Shares or Kinloch, free and clear of all liens, claims and encumbrances on the basis that:

(i) in respect of each Nu-Sky Shareholder who so elects in a duly completed Letter of Transmittal and Election Form deposited (together with the certificates representing such Shareholder's Nu-Sky Common Shares) with the Depository on or before the Election Deadline: that number of Nu-Sky Common Shares equal to 40.7% of the total number of Nu-Sky Common Shares of such Nu-Sky Shareholder shall be exchanged for Kinloch Common Shares on the basis of 0.8275 Kinloch Common Shares for each of such number of Nu-Sky Common Shares; and that number of Nu-Sky Common Shares equal to 59.3% of the total number of Nu-Sky Common Shares of such Nu-Sky Shareholder shall be exchanged for cash on the basis of $0.8275 for each of such number of Nu-Sky Common Shares;

(ii) in respect of each Nu-Sky Shareholder who so elects in a duly completed Letter of Transmittal and Election Form deposited (together with the certificates representing such Shareholder's Nu-Sky Common Shares) with the Depository on or before the Election Deadline, the Nu-Sky Common Shares of such Nu-Sky Shareholder shall be exchanged for Kinloch Common Shares on the basis of 0.8275 Kinloch Common Shares for each of such Nu-Sky Common Shares; provided that if the aggregate number of Kinloch Common Shares otherwise issuable to Nu-Sky Shareholders electing in accordance with this provision (ii) is greater than the difference between 9,100,000 and the aggregate number of Kinloch Common Shares issuable to Nu-Sky Shareholders electing in accordance with provision (i) (such number divided by 0.8275 being the "Difference"): (A) that number of the Nu-Sky Common Shares of the Nu-Sky Shareholder electing in accordance with this provision (ii) equal to the total number of Nu-Sky Common Shares of the Nu-Sky Shareholder multiplied by the Difference divided by the aggregate number of Nu-Sky Common Shares of all Nu-Sky Shareholders electing in accordance with this provision shall be exchanged for Kinloch Common Shares on the basis of 0.8275 Kinloch Common Shares for each such Nu-Sky Common Share exchanged; and (B) the balance of the Nu-Sky Common Shares of such Nu-Sky Shareholder shall be exchanged for cash on the basis of $0.8275 for each of the Nu-Sky Common Shares of such balance; and

(iii) in respect of each Nu-Sky Shareholder who so elects in a duly completed Letter of Transmittal and Election Form deposited (together with the certificates representing such Shareholder's Nu-Sky Common Shares) with the Depository on or before the Election Deadline or in respect of which no election is made in accordance with provision (i) or (ii), the Nu-Sky Common Shares of such Nu-Sky Shareholder shall be exchanged for cash on the basis of $0.8275 for each of such number of Nu-Sky Common Shares; provided that if the aggregate amount of cash otherwise payable to Nu-Sky Shareholders to which this provision (iii) applies is greater than the difference between the Total Cash and the aggregate amount of cash payable to Nu-Sky Shareholders electing in accordance with provision (i) (such amount divided by $0.8275 being the "Difference"): (A) that number of the Nu-Sky Common Shares of the Nu-Sky Shareholder electing in accordance with this provision (ii) equal to the total number of Nu-Sky Common Shares of the Nu-Sky Shareholder multiplied by the Difference divided by the aggregate number of Nu-Sky Common Shares of all Nu-Sky Shareholders electing in accordance with this provision (iii) shall be exchanged for cash on the basis of $0.8275 for each such Nu-Sky Common Share; and (B) the balance of the Nu-Sky Common Shares of such Nu-Sky Shareholder shall be exchanged for Kinloch Common Shares on the basis of 0.8275 Kinloch Common Shares for each of the Nu-Sky Common Shares of such balance;

and the name of each such holder of Nu-Sky Common Shares shall be removed from the register of holders of Nu-Sky Common Shares and added to the register of holders of Kinloch Common Shares comprising all or part of the consideration to be received by such holder for such transfer, and Kinloch will be recorded as the registered holder of each such Nu-Sky Common Shares Share so exchanged and will be deemed to be the legal and beneficial owner thereof.

Each Nu-Sky Option that has not been duly exercised or surrendered for termination prior to the Effective Time shall be terminated and, in consideration for such termination, each holder of such Nu-Sky Option shall receive cash, without interest, in an amount equal to the positive difference, if any, between (i) $0.8275 and (ii) the exercise price per share of such Nu-Sky Option.

For the purpose of the Arrangement, "Total Cash" means the sum of $13,260,000 and $0.8275 for each Nu-Sky Common Share issued upon the exercise of Nu-Sky Options after June 5, 2003 and prior to the Effective Time.

Representations and Warranties and Adverse Changes

The amended Arrangement Agreement between Kinloch and Nu-Sky includes representations and warranties as are normal for such agreements. Nu-Sky's closing conditions provide that (except in respect of breaches that together with any material adverse changes with respect to Kinloch in respect of which the aggregate decline in value is not more than $930,000) certain representations and warranties must be true at the Effective Date, therefore, Nu-Sky can not rely on such representations and warranties and adverse material changes as a reason not to complete the Arrangement until the aggregate decline in the value of Kinloch exceeds $930,000. Kinloch's closing conditions provide that (except in respect to breaches that together with any material adverse changes with respect to Nu-Sky in respect of which the aggregate decline in vale is not more than $2,600,000) certain representations and warranties must be true at the Effective Date, therefore, Kinloch can not rely on such representations and warranties and adverse material changes as a reason not to complete the Arrangement until the aggregate decline in value of Nu-Sky exceeds $2,600,000.

No Solicitation

Both Nu-Sky and Kinloch have agreed not to solicit, initiate, encourage or participate in any discussions or negotiations with any third party, provide any non-public information to any third party or otherwise assist or cause or facilitate anyone else to solicit, initiate, encourage, or participate in any discussions or negotiations with any third party, or provide any non-public information to any party or otherwise assist with respect to: (a) any transaction that may constitute a Take-over Proposal; or (b) any other transaction, the consummation of which would, or could reasonably be expected to impede, interfere with, prevent or delay the Arrangement or which could reasonably be expected to materially reduce the benefits to the other party. Notwithstanding the foregoing: (a) if a bona fide Take-over Proposal is proposed, offered or made to the holders of Common Shares of Nu-Sky or Kinloch or to Nu-Sky or Kinloch which, in the bona fide opinion of that company's board, after consultation with its financial advisors, would result in a financially superior transaction, directly or indirectly, for the holders of that company's Common Shares than that contemplated by the Arrangement, the board of that company may withdraw, modify or change its recommendation respecting the Arrangement, if in the opinion of such board acting reasonably and upon the written advice of its legal counsel, the failure to do so would be inconsistent with the duties of the board under applicable laws, including directors' fiduciary duties; (b) the board of Nu-Sky or Kinloch may respond or in any other way act as required by law to any bona fide Take-over Proposal or make any disclosure to its securityholders with respect thereto which in the judgment of such board, based on the advice of legal counsel, is required under applicable laws; (c) Nu-Sky and Kinloch shall notify the other orally and in writing of any inquiries, offers or proposals with respect to a Take-over Proposal (including without limitation, the terms and conditions of any such proposal, the identity of the person making it, if not previously provided to the other, copies of all information provided to such party and all other information reasonably requested by the other), within 24 hours of receipt thereof, shall keep the other informed of the status and details of such inquiry, offer or proposal and reasonably cooperate in the provision of any information in respect thereof; and (d) Nu-Sky and Kinloch shall provide the other 48 hours advance notice of any agreement (other than a confidentiality agreement) to be entered into with any other person making any inquiry, offer or proposal with respect to a Take-over Proposal.

In this material change report, "Take-over Proposal" means any take-over bid or offer for 20% or more of the issued and outstanding Common Shares of Nu-Sky or Kinloch or any proposal, offer or agreement (whether or not subject to conditions) for a merger, consolidation, amalgamation, arrangement, recapitalization, liquidation, dissolution, reorganization into a royalty trust or income fund or similar transaction or other business combination involving such company or any proposal, offer or agreement (whether or not subject to conditions) to issue any treasury shares of, or acquire in any manner a 20% or greater equity or beneficial interest in, or a material amount of the assets of, such company, other than pursuant to the Arrangement.

Break Fee

Nu-Sky and Kinloch have each agreed to pay the other a break fee of $750,000 in the event that: (a) the Arrangement does not proceed and a Take-over Proposal is completed by it prior to or within 180 days following the holding of securityholder meetings to consider the Arrangement, except if due to a breach of non-performance by the other of any material provision of their agreement; (b) its board fails to positively recommend, or changes withdraws or modifies its recommendation that its securityholders vote in favour of specified matters; (c) its board recommends that its shareholders deposit their shares under, vote in favour of or otherwise accept a Take-over Proposal; (d) there is a breach or non-performance by it of any material provision of their agreement; or (e) it enters into any agreement, commitment or understanding with respect to a Take-over Proposal (other than a confidentiality agreement).

Termination

Nu-Sky or Kinloch may terminate their agreement: (a) if the Arrangement is not approved by the Nu-Sky securityholders on or before August 30, 2003 or if the transaction approval required by the TSX Venture Exchange and the approval of the conversion of Kinloch's preferred shares is not obtained from the Kinloch shareholders on or before August 30, 2003; (b) the Arrangement has not become effective on or before August 30, 2003; (c) if a circumstance giving rise to payment of the break fee to the other shall have occurred; or (d) upon any other circumstance in their agreement which would legally give rise to a termination by Nu-Sky or Kinloch.

Voting Agreements

The obligation of Kinloch to complete the Arrangement is subject to the holders of not less than 11% of the issued and outstanding Nu-Sky Common Shares (including each of the directors of Nu-Sky) entering into Voting Agreements on or before 5:00 p.m. (Calgary time) on June 13, 2003 or such later time and date as Kinloch may agree. The obligation of Nu-Sky to complete the Arrangement is subject to the holders of not less than 30% of the issued and outstanding Kinloch Common Shares and the holders of not less than 66 2/3% of the issued and outstanding Kinloch Series A preferred shares entering into Voting Agreements on or before 5:00 p.m. (Calgary time) on June 13, 2003 or such later time and date as Nu-Sky may agree.

The Voting Agreements to be entered into require the Nu-Sky shareholders and optionholders who executed such agreements to exercise all voting rights attached to the Nu-Sky Common Shares and Nu-Sky Options that they own, or over which they exercise control or direction, in approval of the Arrangement and require the Kinloch shareholders who executed such agreements to exercise all voting rights attached to their common shares or Series A preferred shares that they own, or over which they exercise control or direction, in approval of the conversion of Series A preferred shares into common shares and in approval of the arrangement to the extent required by the TSX Venture Exchange. The Voting Agreements may be terminated by: (a) the shareholders or optionholders if the Arrangement is not effective by August 29, 2003 or if the other party has breached or failed to perform any of its covenants or agreements in a material respect or if any of its representations and warranties are not true and correct in a material respect; (b) at the option of the relevant company or the securityholder if a bona fide Take-over Proposal in respect of which the relevant board has formed the opinions referred to under No Solicitations, above, has been proposed, offered or made and the relevant company has paid to the other company the break fee referred to in Break Fee, above; (c) at the option of the relevant company if the other company has breached the terms of their agreement; and (d) by material consent of the parties to such Voting Agreement.

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

Not applicable

Item 7. Omitted Information:

Not applicable

Item 8. Senior Officer:

Jeffrey E. Dyck
Telephone: (403) 298-1052
Facsimile: (403) 263-9193
E-mail: jeffrey.dyck@gowlings.com

Item 9. Statement of Senior Officer

The foregoing accurately discloses the material change referred to herein.

Dated as of June 13, 2003 at Calgary, Alberta.

Nu-Sky Energy Inc.

By: (signed) *"Jeffrey E. Dyck"*
Jeffrey E. Dyck, Secretary

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