This is the form of a material change report required under Section 85(1) of the Securities Act.

BC FORM 53-901F

SECURITIES ACT

MATERIAL CHANGE REPORT UNDER SECTION 85(1) OF THE ACT
BRITISH COLUMBIA

NOTE: This form is intended as a guideline. A letter or other document may be used if the substantive requirements of this form are complied with.

NOTE: Every report required to be filed under section 85(1) of the Act shall be sent to the Commission in an envelope addressed to the Commission and marked "Continuous Disclosure".

NOTE: WHERE THIS REPORT IS FILED ON A CONFIDENTIAL BASIS PUT AT THE BEGINNING OF THE REPORT IN BLOCK CAPITALS CONFIDENTIAL - SECTION 85", AND EVERYTHING THAT IS REQUIRED TO BE FILED SHALL BE PLACED IN AN ENVELOPE ADDRESSED TO THE SECRETARY OF THE COMMISSION MARKED "CONFIDENTIAL".

Item 1. Reporting Issuer

State the full name and address of the principal office in Canada of the reporting issuer.

Kinetic Energy Inc. (the “Company”)
Suite 300, 570 Granville Street
Vancouver, B.C. V6C 3P1

Item 2. Date of Material Change

December 28, 2001

Item 3. Press Release

State the date and place(s) of issuance of the press release issued pursuant to Section 85(1) of the Act.

December 28, 2001.

Item 4. Summary of Material Change

Provide a brief but accurate summary of the nature and substance of the material change.

Kinetic Energy Inc. (the "Corporation") announces that it has raised $1.2 million in a brokered private placement of flow-through common shares at a price of $0.10 per share. The gross proceeds from the private placement will be used for exploration.

Dundee Securities Corporation acted as agent for the private placement and was paid a cash fee equal to 5% of the gross proceeds from the sale of the shares and issued a broker warrant to purchase 1,200,000 common shares of the Corporation at a price of $0.10 per share for a period of 24 months.

Item 5. Full Description of Material Change

Supplement the summary required under Item 4 with the disclosure which should be sufficiently complete to enable a reader to appreciate the significance of the material change without reference to other material. Management is in the best position to determine what facts are significant and must disclose those facts in a meaningful manner. See also Item 7.

This description of the significant facts relating to the material change will therefore include some or all of the following: dates, parties, terms and conditions, description of any assets, liabilities or capital affected, purpose, financial or dollar values, reasons for the change, and a general comment on the probable impact on the reporting Issuer or its subsidiaries.

Specific financial forecasts would not normally be required to comply with this form.

The above list merely describes examples of some of the facts which may be significant. The list is not intended to be inclusive or exhaustive of the information required in any particular situation.

Refer to attached Press Release.

Item 6. Reliance on Section 85(2) of the Act

If the report is being filed on a confidential basis in reliance on Section 85(2) of the Act, state the reasons for such reliance.

INSTRUCTION:

Refer to Section 85(3) of the Act concerning continuing obligations in respect of reports filed pursuant to this subsection.

N/A.

Item 7. Omitted Information:

In certain circumstances where a material change has occurred and a material change report has been or is about to be filed by Section 67(3) of the Act will no longer or will not be relied upon, a reporting Issuer may nevertheless believe one or more significant facts otherwise required to be disclosed in the material change report should remain confidential and not be disclosed or not be disclosed in full detail in the material change report.

State whether any information has been omitted on this basis and provided the reasons for any such omission in sufficient detail to permit the Commission to exercise its discretion pursuant to Section 169(4) of the Act.

The reasons for the omission may be contained in a separate letter filed as provided in Section 146 of the Regulation.

N/A.

Item 8. Senior Officers

To facilitate any necessary follow-up by the Commission, give the name and business telephone number of a senior officer of the reporting issuer who is knowledgeable about the material change and the report or an officer through whom such senior officer may be contacted by the Commission.

Steve Colquhoun, President (519) 433-7710

Item 9. Statement of Senior Officer

The foregoing accurately discloses the material change referred to herein.

DATED at Vancouver this 2nd day of January, 2002.

(signed) "Sandra Lee"
Sandra Lee, Secretary

KINETIC ENERGY INC.

Suite 200, 200 Queens Avenue, London, Ontario N6A 1J3
Phone: (519) 433-7710   Facsimile: (519) 433-7588

December 28, 2001   Symbol: CDNX: KEI

NEWS RELEASE

KINETIC COMPLETES $1.2 MILLION FLOW THROUGH PLACEMENT

Kinetic Energy Inc. (the "Corporation") announces that it has raised $1.2 million in a brokered private placement of flow-through common shares at a price of $0.10 per share. The gross proceeds from the private placement will be used for exploration.

Dundee Securities Corporation acted as agent for the private placement and was paid a cash fee equal to 5% of the gross proceeds from the sale of the shares and issued a broker warrant to purchase 1,200,000 common shares of the Corporation at a price of $0.10 per share for a period of 24 months.

The flow-through shares and shares issuable on exercise of the broker warrant are non-transferable for a period of four months expiring April 29, 2002.

Kinetic Energy Inc. is an Ontario based exploration company publicly traded on the CDNX under the symbol KEI. The Corporation currently produces 230 BOEPD and has interests in both Ontario and Alberta. The Corporation plans to use its stable and high net-back Ontario production base to enable it to acquire prospects offering larger potential returns in the Western Canadian sedimentary basins.

For more information please contact:

Steven Colquhoun, President
(519) 433-7710

John Cowan, Vice President
(519) 433-7710