MATERIAL CHANGE REPORT

Section 146(1) of the *Securities Act* (Alberta)
and Equivalent Provisions of Security Legislation in British Columbia, Saskatchewan and Ontario

1. Name and Address of Company:

PELORUS ENERGY CORP.
300, 808 – 1st Street SW
Calgary, Alberta T2P 1M9

2. Date of Material Change:

May 17, 2005

3. News Release

A press release relating to the material change described herein was released by CNN Matthews on May 17, 2005. A copy of the news release is attached herewith.

4. Summary of Material Change:

The Company announced that it has entered into an agreement to amalgamate with RedStar Oil & Gas Inc., an arm's length private oil and gas company. The amalgamation is subject to exchange and shareholder approval and is scheduled to close June 30, 2005.

5. Full Description of Material Change:

Please see the attached press release.

6. Reliance on Subsection 7.1(2) or (3) of National Instrument 51-102:

Not Applicable

7. Omitted Information:

Not Applicable

8. Executive Officers:

For further information, please contact Chester Krala at (403) 262-3130.

DATED May 24, 2005, at Calgary, Alberta.

PELORUS ENERGY CORP.

300, 808 First Street S.W.
Calgary, AB T2P 1M9

PELORUS ANNOUNCES STRATEGIC ACQUISITION OF REDSTAR OIL & GAS INC.

May 17, 2005 – Calgary, Alberta – PELORUS ENERGY CORP. (TSX Venture: "PN") ("Pelorus") is pleased to announce that it has entered into an agreement (the "Agreement") pursuant to which, subject to satisfaction of certain conditions indicated below, it will amalgamate (the "Amalgamation") with an arm's length private oil and gas company, RedStar Oil & Gas Inc. ("RedStar"). The parties anticipate that the Amalgamation will proceed with an exchange ratio pursuant to which:

(i) each Pelorus shareholder will receive one common share of the amalgamated company ("Amalco") for every twenty- five common shares of Pelorus; and

(ii) each RedStar shareholder will receive 0.75 common shares and 0.25 non-voting common shares of Amalco in exchange for every twenty-five common shares of RedStar;

which will result in the issuance of approximately 18.42 million common shares and 2.72 million non-voting common shares of Amalco. The voting and non-voting shares will be issued in Amalco upon and subject to shareholder and TSX Venture Exchange approval of the Amalgamation to be voted on by Pelorus and RedStar shareholders at their respective special meetings of shareholders to be held June 29, 2005. The non-voting common shares, as issued, will not carry a conversion right.

All outstanding convertible securities of each of Pelorus and RedStar will also be exchanged for similar convertible securities of Amalco.

The Agreement provides that neither party shall, directly or indirectly, solicit or invite any inquiries, discussion or negotiations with any third party with respect to any takeover proposal. Each party has also agreed to pay the other a non-completion fee in the amount of $500,000 under certain circumstances.

GMP Securities Ltd. has been appointed as Pelorus's financial advisor in connection with the proposed Amalgamation.

There are currently 256 million Pelorus common shares issued and outstanding. Upon completion of the Amalgamation former shareholders of Pelorus will own approximately 56% of the issued and outstanding Amalco common shares while former shareholders of RedStar will own approximately 44% of the issued and outstanding Amalco common shares and 100% of the Amalco non-voting common shares.

Selected Financial Information

The following table sets forth certain unaudited financial information for RedStar as at and for the year ended December 31, 2004 and certain unaudited financial information as at and for the three months ended March 31, 2005. The information for the three month period ended March 31, 2005 was prepared by management of the RedStar and has not been audited.

	RedStar	RedStar
	As at and for the three months ended March 31, 2005[2]	As at and for the year ended December 31, 2004[2]
	(unaudited)	(unaudited)
Total Revenue, Net of Royalties	53,964	48,034
Net Lease Operating Income[1]	44,982	33,970
Bank Debt	-	-
Working Capital Surplus (Deficit)	5,398,243	4,712,325
Total Assets	19,234,627	7,121,915
Shareholders' Equity	11,501,815	6,028,061
Number of Shares Outstanding		
Basic	272,936,077	166,535,715
Diluted	353,936,077	247,535,715

Note:

(1) Represents revenue, net of royalties less operating costs.

(2) These values are pro forma values and include two asset acquisitions and a corporate acquisition which are not included in RedStar's March 31, 2005 interim financial statements.

Reserves Data

The following tables set forth certain reserves data for RedStar. RedStar's reserves information is based on a combination of an independent engineering evaluation prepared by Sproule Associates Limited ("Sproule") evaluating certain of RedStar's petroleum and natural gas reserves and an independent engineering evaluation prepared by Chapman Petroleum Engineering Limited ("Chapman") evaluating certain of RedStar's petroleum and natural gas reserves. The net present values of future net revenue for these reserves use forecast prices and costs as at December 31, 2004 and October 1, 2004 respectively. The evaluation was conducted in compliance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.

SUMMARY OF OIL AND GAS RESERVES
OF REDSTAR
AS OF DECEMBER 31, 2004
FORECAST PRICES AND COSTS

	RESERVES	
	NATURAL GAS	
RESERVES CATEGORY	Gross (MMcf)	Net (MMcf)
PROVED		
Developed Producing	1,385	1,002
Undeveloped	2,071	1,584
TOTAL PROVED	3,456	2,586
PROBABLE	4,938	3,628
TOTAL PROVED PLUS PROBABLE	8,394	6,214

Notes:

(1) "Gross", in relation to a company's interest in production or reserves, means its "company gross reserves", which are the company's working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the company.

(2) "Net" means, in relation to a company's interest in production or reserves, the company's working interest (operating or non-operating) share after deduction of royalty obligations, plus the company's royalty interests in production or reserves.

(3) The recovery and reserve estimates of RedStar's crude oil, natural gas liquids and natural gas reserves provided above are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquid reserves may be greater than or less than the estimates provided above.

REDSTAR'S NET PRESENT VALUES OF FUTURE NET REVENUE

	BEFORE INCOME TAXES DISCOUNTED AT (%/year)			AFTER INCOME TAXES DISCOUNTED AT (%/year)		
RESERVES CATEGORY	0 (M$)	10 (M$)	15 (M$)	0 (M$)	10 (M$)	15 (M$)
PROVED						
Developed Producing	5,388	4,516	4,195	4,134	3,400	3,134
Undeveloped	7,126	5,594	5,086	3,679	3,082	2,851
TOTAL PROVED	12,514	10,110	9,281	7,813	6,482	5,985
PROBABLE	14,819	9,660	8,091	8,052	5,235	4,357
TOTAL PROVED PLUS PROBABLE	27,333	19,770	17,372	15,865	11,717	10,342

Notes:

(1) It should not be assumed that the estimates of future net revenues presented in the tables above represent the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material.

(2) The forecast cost and price assumptions assume increases in wellhead selling prices and take into account inflation with respect to future operating and capital costs. The crude oil and natural gas benchmark reference pricing and inflation and exchange rates utilized in RedStar's reserve reports were Sproule's and Chapman's price decks as at December 31, 2004 and October 1, 2004 respectively.

	RedStar
Average Daily Production[1]	
Natural Gas (Mcf/d)	1,789
Total (boe/d) [2]	298

Note:

(1) Average daily production is for the year ending December 31, 2005 based on each company's gross working interest.

(2) Barrel of oil equivalent (boe) figures are derived by converting gas to oil in the ratio of 6,000 cubic feet of gas to one barrel of oil. Boe's may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Board Recommendation

The board of directors of Pelorus has unanimously agreed to recommend acceptance of the Amalgamation to its shareholders.

Recent activities of Pelorus

Pelorus' current production is approximately 10 boe/d.

Pelorus has approximately 12 million dollars in tax pools that are available to reduce future income taxes.

Recent land sale activity in the Cutbank Ridge area provides increased confidence in the marketability of Pelorus' 3D seismic data.

Half Moon and Windsor Creek Seismic Programs on the Cutbank Ridge

Field work is expected to be completed in June 2005. Data processing and interpretation will be completed in the third quarter.

Following the termination of the Seismic Data exclusivity period, Amalco will be exploiting identified business opportunities. Pelorus has received numerous expressions of interest from industry players to acquire copies of its Seismic Data.

Recent activities of RedStar

RedStar’s current production is approximately 1.8 mmcf/d (300 boe/d) with approximately 2.8 mmcf/d (465 boe/d) currently behind pipe.

In the first quarter of 2005, RedStar participated in the drilling and/or completion of 5 (3.5 net) gas wells on two separate farm-in arrangements. All of these wells are cased gas wells and will be brought on stream in late second or early third quarter.

In the second quarter of 2005, RedStar completed a property acquisition area from a senior producer in its Northeastern British Columbia focus area. This initial acquisition provides RedStar with 1.8 mmcf/d (300 boe/d) of established, low decline production.

RedStar estimates 2005 Q2 exit production to be approximately 3.6 mmcf/d (600 boe/d)

The Company currently has 16,000 net undeveloped acres and has negotiated 2 additional farm-in opportunities with a senior producer on another 5,700 acres.

Focus areas for winter operations are:

North Eastern British Columbia
- Kotcho, Elleh and Klua

North Central Alberta
- Darling Creek

Year round focus areas are:

Peace River Arch
- Brownvale

Eastern Alberta
- Tweedie

Ekwan Seismic Program

Field work is completed. Data processing and interpretation is underway and will be completed early in the third quarter.

After interpretation, we will be identifying drilling locations for our winter 2005-2006 drilling program.

Board of Directors and Management

The parties contemplate that, upon completion of the Amalgamation, Messrs. David Butler and Nick Temple, who are nominees of RedStar, would be appointed to the board of directors of Amalco, subject to requisite shareholder and exchange approval. The board of directors of Amalco will consist of Messrs. Chester Krala, William M. Gallacher, Gary Dundas, J.G. (Jeff) Lawson, David Butler and Nick Temple, subject to TSX Venture Exchange approval. Mr. Chester Krala will be appointed President and CEO and Mr. Lawrence Walter will be appointed Chief Financial Officer. The following are brief biographies of Messrs. Krala, Walter, Temple, Gallacher, Dundas, Lawson and Butler:

Chester Krala, President, Chief Executive Officer and a Director

Mr. Krala has 19 years experience in the oil and gas industry, most recently as the President of Canadian Progress Resources Limited and First Alberta Petroleum Limited and the former Vice-President, Corporate Development of Discovery Drilling Funds. Mr. Krala graduated in 1985 from the University of Calgary with a major in geology and a minor in geophysics.

Lawrence Walter, Chief Financial Officer

Mr. Walter has 22 years experience in the oil and gas industry, most recently as Vice-President, Finance and Chief Financial Officer of Val Vista Energy Ltd., a publicly traded company on the TSX Venture Exchange. Prior to Val Vista, Mr Walter held the position of Chief Financial Officer with several private and publicly listed companies. Mr. Walter holds a BComm degree from the University of Calgary and a CMA designation from the Society of Management Accountants of Alberta.

Nick Temple, Vice President, Business Development and a Director

Mr. Temple received a BSc degree in Geophysics from the University of Calgary in 1983. After graduation, Mr. Temple was employed by Texaco Canada Resources and later by Wascana Energy. In 1992 Mr. Temple founded a geophysical consulting business and contracted with various companies including AEC West, Gulf, Newport and Avid Oil & Gas. Mr. Temple has 22 years of industry experience focused on the Western Canadian sedimentary basin.

William M. Gallacher, Director, Chairman of the Board

Mr. Gallacher is the President and Chief Executive Officer and co-founder of Avenir Operating Corp., the manager of Avenir Diversified Income Trust, a diversified income trust which trades on the Toronto Stock Exchange. Mr. Gallacher is also the President of Avenir Capital Corporation, a private merchant bank and venture capital company and is the co-founder of Highland Energy Ltd., Atlas Energy Ltd., Maxim Power Corp., Peak Energy Services Ltd. and Peregrine Energy Ltd. all of which became public issuers.

Gary Dundas, Director

Mr. Dundas has been the Vice President and Chief Financial Officer of Avenir Operating Corp., the manager of Avenir Diversified Income Trust (“Avenir Trust”), since January 2003. Prior to joining the Avenir Trust, Mr. Dundas held positions of Chief Financial Officer, Vice-President Finance, General Manager Corporate Development & Marketing and Controller, respectively, at Maxx Petroleum Ltd., a publicly traded junior oil and gas company over a seven-year period. Mr. Dundas is currently a director of Energy Insurance Reciprocal, a private insurance company and Peregrine Energy Ltd., DirectCash Income Fund and Avenir Diversified Income Trust each listed on the Toronto Stock Exchange.

J. G. (Jeff) Lawson, Director

Mr. Lawson is a Partner in the law firm of Burnet, Duckworth & Palmer LLP, a Canadian law firm with offices in Calgary, Alberta where his practice is focused on merger and acquisition activities and corporate finance. Mr. Lawson is also a member of the Executive Committee of Burnet, Duckworth & Palmer LLP and serves on the board of directors of a number of public issuers and certain charitable organizations.

David Butler, Director

Mr. Butler holds a Bachelor of Commerce degree in Economics and Business Administration from the University of Saskatchewan, along with a Bachelor of Arts and Science degree in Geology. After graduating, Mr. Butler was employed by Mobil Oil Canada Ltd. and subsequently by Canadian Industrial Gas and Oil Ltd. In 1968, Mr. Butler founded Midale Minerals Ltd., a petroleum land consulting company. During the past 30 years, Mr. Butler has been an officer and director of several private and public companies, including Sulpetro of Canada Ltd., Republic

Resources Limited, Chilco Resources Ltd., Bonanza Oil & Gas Ltd., Canusa Energy Ltd., Winfield Energy Ltd., Ballistic Energy Corporation, Netherfield Energy Corporation and Atlas Energy Ltd. These companies conducted operations throughout western Canada, as well as in the Arctic Islands, Atlantic Shelf, the southern United States, Turkey, Columbia and Argentina. Since 1982, Mr. Butler has operated Passport Petroleums Ltd., a private oil and gas production company, and currently sits on the board of the publicly traded Avenir Diversified Income Trust, Hy-Drive Technologies Ltd and Peregrine Energy Ltd.

Conditions to Completion

The completion of the Amalgamation is subject to the approval of TSX Venture Exchange, the shareholders of RedStar and Pelorus and all other necessary regulatory approvals. Closing is expected to occur on or about June 30, 2005.

Following the completion of the Amalgamation, Amalco will have, on a combined basis:

- daily production of over 600 boe/d, comprised almost entirely of natural gas.

- a capital expenditure program of approximately $5.0 million. The capital expenditure program will be funded from existing cash, budgeted cash flow and available bank financing.

Pelorus (which will become Amalco) also announces it has reserved a price of $2.25 per share for the grant of stock options to acquire up to 2.1 million common shares of Amalco in the event the Amalgamation and share consolidation are completed. The stock options will be granted to directors, officers, employees and consultants of Amalco, subject to regulatory approval.

In addition, in conjunction with the closing of the Amalgamation, Pelorus will also be completing an arm's length acquisition of a private oil and gas company in exchange for an aggregate of up to 28.6 million Pelorus common shares (1.14 million shares of Amalco).

About Pelorus

Pelorus is a junior oil and gas company engaged in the exploration, development and production of oil and natural gas in the Western Canadian Sedimentary Basin.

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Cautionary Statements

Disclosure provided herein in respect of boe units may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Certain information set forth in this document, including management's assessment of future plans and operations, contains forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond this party's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements, and accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits will be derived there from. Pelorus disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The TSX Venture Exchange Inc. has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.

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