MATERIAL CHANGE REPORT

PURSUANT TO

Section 75(2) of the *Securities Act* (Ontario)

ITEM 1. REPORTING ISSUER

A & E Capital Funding Inc. (the "Issuer")
2300 Yonge Street, Suite 3000, Toronto, Ontario M4P 1E4

ITEM 2. DATE OF MATERIAL CHANGE

December 31, 2003.

ITEM 3. PRESS RELEASE

Issued December 31, 2003 and distributed through the facilities of CCN Matthews.

ITEM 4. SUMMARY OF MATERIAL CHANGE

3,388,023 Class B Subordinate Voting Shares issued to settle outstanding debt of $304,922.04.

ITEM 5. FULL DESCRIPTION OF MATERIAL CHANGE

The TSX Venture Exchange has accepted for filing A&E Capital Funding Inc.'s proposal to issue 3,338,023 Class B shares at $0.09 per share to settle outstanding debt with 6 Creditors for $304,922.04. Unless permitted under securities legislation, the creditors shall not trade the securities before April 30, 2004 the date that is four (4) months and a day after the distribution date.

ITEM 6. RELIANCE ON THE CONFIDENTIALITY SECTION OF THE ACT
This report is not being filed on a confidential basis.

ITEM 7. OMITTED INFORMATION

There are no significant facts required to be disclosed herein which have been omitted.

ITEM 8. SENIOR OFFICERS

Contact: Gordon D, Ewart – Chief Executive Officer
Telephone: 416-488-7760

ITEM 9. STATEMENT OF SENIOR OFFICER

The foregoing accurately discloses the material change referred to herein.

(Signed by Gordon D. Ewart)
Gordon D. Ewart – Chief Executive Officer

DATED at Toronto, Ontario this 8th day of January, 2004.