

**FORM 51-102F3**

**MATERIAL CHANGE REPORT**

**Item 1. Name and Address of Company**

Terra Energy Corp. (the "Corporation")  
777, 505 - 3<sup>rd</sup> Street S.W.  
Calgary, AB T2P 3E6

**Item 2. Date of Material Change**

July 27, 2005

**Item 3. News Release**

A news release was issued on July 27, 2005 through the services of CCN Matthews.

**Item 4. Summary of Material Change**

The Corporation completed its \$23 million "bought deal" equity financing of common shares issued on a "flow-through" basis ("Flow-Through Common Shares") and units ("Units"). Canaccord Capital Corporation and Research Capital Corporation acted as the Underwriters.

**Item 5. Full Description of Material Change**

The Corporation completed its \$23 million "bought deal" equity financing (the "Offering") of Flow-Through Common Shares and Units. Canaccord Capital Corporation and Research Capital Corporation acted as the Underwriters (the "Underwriters") of the Offering.

The Offering consisted of the sale of 3,900,000 Flow-Through Common Shares at a price of \$2.00 per share totaling \$7,800,000 and 9,117,353 Units at a price per Unit of \$1.70 totaling \$15,499,500. Each Unit is comprised of one common share of the Corporation and one half of one common share purchase warrant ("Warrant"). Each whole Warrant will entitle the Warrant holder to acquire one common share of the Corporation at an exercise price of \$2.10 at any time prior to one year after closing of the Offering. The issued securities will be subject to a four month hold until November 28, 2005.

The Underwriters received an aggregate commission of six percent of the gross proceeds from the Offering.

**Item 6. Reliance on Section 7.1(2) or (3) of National Instrument 51-102**

Not Applicable

**Item 7. Omitted Information**

Not Applicable

**Item 8. Executive Officer**

The name and business number of the executive officer of the Corporation who is knowledgeable about the material change and this report is:

Bud K. Love - Vice President, Finance & Chief Financial Officer  
Telephone: (403) 699-7777

**Item 9. Date of Report**

August 4, 2005