

FORM 53-901F
MATERIAL CHANGE REPORT UNDER
SECTION 85(1) OF THE *SECURITIES ACT* (BRITISH COLUMBIA)

1. Reporting Issuer

MONTELLO RESOURCES LTD.
Suite 1473 – 595 Burrard Street
Vancouver, British Columbia V7X 1C4

2. Date of Material Change

October 15, 2004

3. Press Release

The Press Release dated October 15, 2004 was disseminated via Market News Publishing and Canada Stockwatch.

4. Summary of Material Change

The Company announced that it has entered into a debt settlement agreement with an arm's length creditor for 1,300,000 common shares in the capital stock of the Company at a price of \$0.05 per share in satisfaction of debt totalling \$65,000

5. Full Description of Material Change

See attached press release dated October 15, 2004.

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

Not Applicable

7. Omitted Information

Not Applicable

8. Senior Officers

Patrick Power, President
(604) 689-1799

9. Statement of Senior Officer

The foregoing accurately discloses the material change referred to herein.

Dated at Vancouver, British Columbia on the 15th day of October, 2004.

ARCTIC STAR DIAMOND CORP.

Per: *“Patrick Power”*

MONTELLO RESOURCES LTD.

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October 15, 2004

Symbol : MEO
U.S. 12g #82-1812

News Release

Montello Resources Ltd. (the “Company”) announces that it has entered into a debt settlement agreement with an arm’s length creditor (the “Creditor”) pursuant to which the Company has agreed to issue, in the aggregate, 1,300,000 common shares in the capital stock of the Company at a deemed price of \$0.05 per share to the Creditor in satisfaction of debt totalling \$65,000.

**ON BEHALF OF THE BOARD OF DIRECTORS
MONTELLO RESOURCES LTD.**

Per: “Patrick Power”
Patrick Power, President

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