

This is the form of a material change report required under Section 85(1) of the *Securities Act* and section 151 of the *Securities Rules*.

**BC FORM 53-901F
(Previously Form 27)**

SECURITIES ACT

MATERIAL CHANGE REPORT

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: If this report is filed on a confidential basis, put at the beginning of the report in block capitals "CONFIDENTIAL – SECTION 85", and file in an envelope marked "Confidential – Attention: Supervisor, Financial Reporting".

Item 1. Reporting Issuer

KEY CAPITAL GROUP INC.
Suite 1370, 1140 West Pender Street
Vancouver, BC, V6E 4G1

Item 2. Date of Material Change

October 17, 2002

Item 3. Press Release

The date of the press release issued pursuant to section 85(1) of the Act with respect to the material change disclosed in this report is October 17, 2002. The press release was issued in Vancouver, British Columbia through the facilities of the TSX Venture Exchange, Market News and through Canada Stockwatch.

Item 4. Summary of Material Change

Reimar Koch has agreed to loan \$56,000 to the Issuer. The Issuer intends to apply to the TSX Venture Exchange for permission to extend the exercise term of 821,930 outstanding share purchase warrants issued during October, 2001 until October 23, 2003.

Item 5. Full Description of Material Change

During August, 2002 Reimar Koch, the President of the Company, loaned \$200,000 to the Company for its general working capital purpose. Mr. Koch has now agreed to loan an additional \$56,000 to the Company for general working capital purposes on substantially the same terms, subject to acceptance by the TSX Venture Exchange, as follows:

- (a) the Loan will be available for general working capital and will be repayable in full one year after the date of advance;
- (b) the Loan proceeds will be advanced immediately upon execution of formal loan documentation satisfactory to both parties;
- (c) the Loan will not bear interest before maturity, but will bear interest at the rate of 10% per annum from and after the first anniversary of the date of its advance until paid in full;
- (d) the Loan will be evidenced by a promissory note and secured by a general security agreement registered in the Personal Property Security Registry of B.C.; and
- (e) the Loan will be convertible at the option of the lender in whole or in part into units of Key for one year after the Loan advance at the price of \$0.25 per unit, with each unit comprised of one common share and one warrant exercisable to purchase one additional common share for \$0.30 at any time during the said year;

The proposed loan arrangement is subject to acceptance for filing by the TSX Venture Exchange.

On October 23, 2001 the Company completed the private placement of 821,930 units comprised of one common share and one warrant exercisable to purchase one additional common share for \$0.70 until October 23, 2002. The Company intends to apply to the TSX Venture Exchange for permission to extend the exercise term of the outstanding warrants for one year, to October 23, 2003. The Company does not currently intend to apply for any re-pricing of the subject warrants. The amendment to the exercise term of the outstanding warrants is subject to acceptance for filing by the TSX Venture Exchange.

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

Not applicable

Item 7. Omitted Information

Not applicable

Item 8. Senior Officer

The following senior officer of the Issuer is knowledgeable about the material change disclosed in this report.

Reimar Koch, President
Business Telephone No.: 604-688-8656

Item 9. Statement of Senior Officer

The undersigned, President of the Issuer, hereby certifies that the foregoing accurately discloses the material change referred to herein.

Executed at Vancouver, B.C. this 17th day of October, 2002.

"Reimar Koch"

Reimar Koch, President

KEY CAPITAL GROUP INC.
Suite 1370, 1140 West Pender Street
Vancouver, British Columbia
V6E 4G1
Telephone: (604) 688-8656
Facsimile: (604) 688-8654

October 17, 2002

NEWS RELEASE

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"Reimar Koch"

REIMAR KOCH
President and CEO

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