MATERIAL CHANGE REPORT

SECURITIES ACT (BRITISH COLUMBIA) SECTION 67(1) FORM 27
SECURITIES ACT (ALBERTA) SECTION 118(1) FORM 27
SECURITIES ACT (ONTARIO) SECTION 74(2) FORM 27

1. **Reporting Issuer:**

Ionic Energy Inc.
1400, 340 - 12th Avenue S.W.
Calgary, Alberta T2R 1L5

2. **Date of Material Change:**

December 27, 1999

3. **News Release**

A press release disclosing the details outlined in this Material Change Report was issued by Ionic Energy Inc. ("Ionic" or the "Company") from Calgary, Alberta on December 31, 1999 through the facilities of Canadian Corporate News.

4. **Summary of Material Change:**

On December 31, 1999, Ionic announced that as a result of production performance changes, Ionic is reducing its average 2000 production target from 3,200 to 2,900 boe/d. The new target represents a 32% increase over Ionic's 1999 production rate, which is estimated to average 2,200 boe/d. Over the past days, one of Ionic's wells in the Blueridge area of Alberta increased water production, which culminated in the well not being capable of current production under conventional means.

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

On December 31, 1999, Ionic announced that as a result of production performance changes, Ionic is reducing its average 2000 production target from 3,200 to2,900 boe/d. The new target represents a 32% increase over Ionic's 1999 production rate, which is estimated to average 2,200 boe/d.

Over the past days, one of Ionic's wells in the Blueridge area of Alberta increased water production, which culminated in the well not being capable of current production under conventional means. This occurrence is not related to any current or historic reservoir management practices. Prior to encountering this production problem, the well was producing approximately 515 boe/d. Based on well performance and pressure data interpretation, Ionic believes significant reserves remain in the reservoir penetrated by this well. Ionic will attempt recompletion operations on the well to regain productivity and it has an offset drilling location planned for January 2000. Ionic believes that the new location will encounter the same reservoir, structurally up-dip from the subject well. This occurrence will not affect Ionic's previously forecast financial or operating performance for the fourth quarter, or for the full year 1999. It has, however, reduced Ionic's exit volumes to 2,345 boe/d from its targeted 2,800 boe/d. Ionic estimates that fourth quarter average production will be 2,680 boe/d. Due to this occurrence, and consistent with the Company's approach to setting conservative financial and operating expectations, Ionic believes it is prudent to change its average production target for the year 2000 from 3,200 boe/d to 2,900 boe/d. With Ionic's low debt to cash flow ratio, presently less than one year, the Company is moving forward with a planned $30 million capital program for 2000.

The Company's fourth quarter drilling results were very positive and its current prospect inventory is extensive. Recent drilling successes at Blueridge, Whitecourt, and St Anne areas are expected to add incremental production of 400 boe/d during the first quarter of 2000. At Blueridge, a recent discovery will be delineated in the first quarter of 2000. A seismic program is currently being shot which may lead to additional drilling in this area during the first quarter of 2000. In the Whitecourt area, a recent 40 section farmin will lead to drilling at least three exploratory wells during the first quarter of 2000, targeting similar play types to two recent discoveries. Continued drilling success at St Anne has filled existing facilities, necessitating a facility expansion, planned for the second quarter of 2000.

6. **Reliance on Confidentiality Provision:**

Not Applicable

7. **Omitted Information:**

Not Applicable

8. **Senior Officer**:

For further information, please contact:

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Calgary, Alberta, T2R 1L5

James Saunders, President
Phone: 403 264-8668
Fax: 403 264-0122

9. **Statement of Senior Officer:**

The foregoing accurately discloses the material change referred to in this report.

DATED January 5, 2000 at Calgary, Alberta.

(signed)Gary R. Bugeaud
Gary R. Bugeaud
Corporate Secretary
Ionic Energy Inc.

cc: The Toronto Stock Exchange

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