MATERIAL CHANGE REPORT

UNDER SECTION 118(1) *SECURITIES ACT* (ALBERTA)
UNDER SECTION 85(1) *SECURITIES ACT* (BRITISH COLUMBIA)
UNDER SECTION 75(2) *SECURITIES ACT* (ONTARIO)
UNDER SECTION 73 *SECURITIES ACT* (QUEBEC)

Item 1 – Reporting Issuer

CANADIAN ROYALTIES INC.
152 chemin de la Mine Ecole
Val d'Or, Quebec, J9P 7B6

Item 2 – Date of Material Change

June 17, 2002 – Private Placement

June 19, 2002 – Offer to Acquire Shares

Item 3 – News Release

A press releases pertaining to the closing of a private placement with a sole subscriber for $375,000 was issued on June 25, 2002.

A press release pertaining to an offer (by a wholly owned subsidiary of Canadian Royalties) to acquire 51% of the issued and outstanding common shares of Ungava Minerals Corp. was issued June 19, 2002.

Item 4 – Summary of Material Change

On June 17, 2002, Canadian Royalties closed a $375,000 financing with a sole corporate subscriber, consisting of 500,000 units at a price of $0.75 per unit. Each unit is comprised of one common share of the company, and one purchase warrant entitling the purchaser to acquire one share of Canadian Royalties at a price of $1.10 for 24 months.

On June 19, 2002, 3919005 Canada Inc., a wholly owned subsidiary of Canadian Royalties, made an offer to acquire 51% of the outstanding common shares of Ungava Minerals Corp. ("Ungava") at a price of $0.10 per share payable in cash. The bid for Ungava's shares will expire on July 25, 2002, and is subject to certain conditions.

Item 5 – Full Description of Material Change

On June 17, 2002, Canadian Royalties closed a non-brokered private placement with a sole corporate (private) subscriber, consisting of 500,000 units ("Units") at a price of $0.75 per Unit, for gross proceeds of $375,000. Each Unit is comprised of one common share and one full warrant ("Warrant"). Each Warrant entitles the holder to acquire one additional common share of the Corporation at a price of $1.10 for a period of 24 months. 400,000 common shares issuable pursuant to the Units were issued as flow-through common shares, and 100,000 were allocated as non-flow-through common shares. Further, half (250,000) of the Warrants issuable pursuant to the Units were issued as flow through Warrants, and half as non-flow through Warrants. The securities issued pursuant to this private placement may not be resold for a period of four months.

On June 19, 2002, 3919005 Canada Inc., a wholly owned subsidiary of Canadian Royalties, made an offer to acquire 51% of the outstanding common shares of Ungava Minerals Corp. ("Ungava") at a price of $0.10 per share payable in cash.

If the offer is successful, Canadian Royalties Acquisition Corp. intends to seek the appointment of a new board of directors and to replace existing management of Ungava.

Ungava's only material asset is its indirect title to a mining property located in Ungava, Quebec, known as the Expo-Ungava Property. Canadian Royalties has the right to earn up to an 80% interest in the Expo-Ungava Property by incurring certain expenditures and delivering a bankable feasibility study. The Expo-Ungava Property is contiguous to the Phoenix Prospect, which is 100% held by Canadian Royalties.

Canadian Royalties Acquisition Corp. believes that management of Ungava has consistently acted in disregard of the interests of Ungava's minority shareholders and in a manner that is prejudicial to Ungava's relationship with Canadian Royalties and to the exploration program that Canadian Royalties is carrying out on the Expo-Ungava Property. Among other things:

- Ungava has not carried on active business since 1997 and has not traded on any stock exchange since management of Ungava failed to respond to an invitation by the Canadian Venture Exchange ("CDNX") in the fall of 1999 to have Ungava's shares posted and listed for trading on the CDNX. As a result, Ungava's shareholders have been deprived of a market for their shares.
- Approximately one year prior to the invitation by CDNX referred to above, the Ontario Securities Commission imposed a cease trade order (on December 15, 1998) against Glen Erikson, the President of Ungava, and his wife, Christine Erikson, an insider of Ungava, restricting them from trading shares under certain conditions. The Ontario Securities Commission concluded that the Eriksons, among others, participated in and facilitated a number of violations of the *Securities Act* (Ontario) and engaged in conduct that was "manipulative, deceptive and unconscionably abusive of capital markets". Ungava's Management Information Circular dated May 10, 2002 reveals that the Eriksons, together with Mr. Erikson's brother, Felix Siwanowicz, control a significant percentage of Ungava's outstanding shares.
- Ungava's Management Information Circular dated May 10, 2002 reveals that in the period from 1999 to 2001 (during which Ungava had no active business and its shares did not trade on any stock exchange) it accrued management

compensation to Glen Erikson of $316,666. Ungava, which had a working capital deficit of approximately $300,000 and a shareholders deficit of nearly $4 million as at February 28, 2002, has agreed to pay a director $200,000 per year in each of the next five years in "management consulting fees", beyond which the compensation escalates to $366,674 annually.

- A minority shareholder of Ungava has commenced an action in Ontario alleging, among other things, that the directors of Ungava have committed breaches of their fiduciary duties and engaged in conduct oppressive to minority shareholders.
- On May 15, 2002, Ungava commenced arbitration proceedings against Canadian Royalties, alleging, among other things, that Canadian Royalties has improperly caused certain property included within Ungava's Expo-Ungava Property to be incorporated into Canadian Royalties Phoenix Property, that Canadian Royalties has failed to deliver certain reports and maps, and has committed breaches of fiduciary duty. Ungava is seeking, among other things, orders annulling the Option/Joint Venture Agreement between the parties, requiring delivery of certain reports and other information concerning the Expo-Ungava Property, and that the boundary between the Expo-Ungava Property and Canadian Royalties' Phoenix Property be re-instated. On June 7, 2002, Canadian Royalties filed a preliminary statement of defence denying each of Ungava's allegations. Canadian Royalties has consistently exceeded the flow of information and documentation delivery requirements under the Option/Joint Venture Agreement. Further, the property boundaries in question were revised with the full knowledge and written approval of Ungava. Canadian Royalties is confident that Ungava's claims will be shown to be spurious, and that the Option/Joint Venture Agreement will remain in full force and effect.
- Ungava's propensity to announce its concerns in a public forum without making any legitimate demands or efforts to resolve its concerns is unusual and in particular, is detrimental to efficient program planning and logistics.
- Ungava has failed to hold annual shareholders meetings for the past five years in blatant disregard of the rights of its shareholders and in violation of the *Canada Business Corporations Act*.
- Ungava has twice jeopardized its interest in the Expo-Ungava Property – by failing to maintain its corporate filings in a timely manner and by failing to pay renewal fees for its permits for the Expo-Ungava Property.

The offer to Ungava shareholders will be open for acceptance for not less than 35 days. If more than 51% of the Ungava common shares are deposited pursuant to the offer and not withdrawn, any Ungava common shares to be purchased under the offer will be taken up and paid for by Canadian Royalties proportionately, disregarding fractions, according to the number of Ungava common shares deposited by each depositing shareholder.

The offer will be subject to certain conditions, including that there be validly deposited under the offer and not withdrawn not less than the number of Ungava common shares that is expected to constitute 51% of the outstanding common shares on an undiluted basis and that Ungava has not implemented the shareholder's rights plan that it has proposed to its shareholders.

Item 6 – Reliance on Section 118(2) of the *Securities Act* (Alberta), Section 75(3) of the *Securities Act* (Ontario), and Section 85(2) of the *Securities Act* (British Columbia)

Not Applicable

Item 7 – Omitted Information

Not Applicable

Item 8 – Senior Officer

The name of a Senior Officer of the Corporation who is knowledgeable about the material changes and this report and who can be contacted by the Chief of Securities Administration is:

Jennifer L. Boyle
Director
Business Telephone Number: (819) 824-1030

Item 9 – Statement of Senior Officer

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

DATED at the City of Val d'Or, in the Province of Québec, this 27th day of June, 2002.

Signed: "Jennifer L. Boyle"

Jennifer L. Boyle
Director,
CANADIAN ROYALTIES INC.