

## MATERIAL CHANGE REPORT

### FORM 51-102F3

#### **1 – Name and Address of Company:**

CANADIAN ROYALTIES INC. (“Canadian Royalties”)  
152 chemin de la Mine École  
Val d’Or, Quebec, J9P 7B6

#### **2 – Date of Material Change:**

December 20, 2004

#### **3 – News Release:**

A news release was disseminated to the public via the facilities of the CCN Matthews Newswire Service on December 21, 2004 and subsequently filed on the System for Electronic Document Analysis and Retrieval (SEDAR).

#### **4 – Summary of Material Change:**

On December 20, 2004, Canadian Royalties received an arbitration award granting its request to dismiss Ungava Minerals’ July 2004 application for a third arbitration hearing pertaining to the Expo-Ungava property.

#### **5 – Full Description of Material Change:**

At an interim hearing on September 23, 2004 with the Arbitrator, Maitre Max Mendelsohn of Montreal, Québec, Canadian Royalties elected not to file a Statement of Defense, but instead, asked the Arbitrator for a ruling that this new request for an arbitration hearing be immediately abolished without trial. Canadian Royalties argued that the on-going attempts by Ungava Minerals to regain control of the Expo-Ungava property had already been adjudicated upon in a multiplicity of prior legal proceedings, and accordingly, the Statement of Claim filed by Ungava Minerals in July, 2004 was abusive, vexatious, and malicious; but more importantly, it constituted an abuse of the legal process.

The Arbitrator granted Canadian Royalties’ request to dismiss Ungava’s attempt to hold another arbitration hearing and held Ungava Minerals accountable for costs. He concluded that the issues raised by Ungava cannot be re-litigated on the basis of res judicata (they have already been conclusively decided). Further, the Arbitrator commented on the conduct of Ungava Minerals, and held that “While I am not prepared to conclude that the line separating the aggressive pursuit of one’s rights from the abuse of the legal process has been crossed, it appears that the line cannot be very far away”.

The effect of Maitre Mendelsohn’s decision for Canadian Royalties is that Canadian Royalties shall retain all of its rights in respect of the Expo-Ungava property. As well, it means that a trial will not proceed. Canadian Royalties has been represented by Maitre Raynold Langlois, Q.C. of the firm Langlois Kronström Desjardins, Montréal, Quebec.

Currently, Canadian Royalties has earned a 70% interest in the Property, and that interest will increase to 80% upon delivery of a bankable feasibility study. Non-participation by Ungava Minerals upon the formation of a joint-venture would see their interest reduced to a 1% net smelter return ("NSR") royalty which may be purchased by Canadian Royalties for \$1,500,000 at any time within 12 months of commercial production

**6 – Reliance on Subsection 7.1 (2) or (3) of NI 51-102:**

Not Applicable

**7 – Omitted Information:**

None

**8 – Executive Officer**

For further information, kindly contact:

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Executive Vice President  
Telephone: 514.879.1688, ext. 250

**9 – Date of the Report**

December 23, 2004