FORM 27
MATERIAL CHANGE REPORT UNDER SECTION 118(1)
OF THE SECURITIES ACT, ALBERTA;
SECTION 85 OF THE SECURITIES ACT, BRITISH COLUMBIA

ITEM 1 Reporting Issuer:

Red Lantern Corporation
c/o Suite 1212
55 University Avenue
Toronto, Ontario M5J 2H7

ITEM 2 Date of Material Change:

October 18, 2001

ITEM 3 Publication of the Material Change:

A press release was issued October 19, 2001.

ITEM 4 Summary of Material Change:

Red Lantern Corporation ("Red Lantern") is pleased to announce that it has entered into a Memorandum of Agreement ("MOA"), with a private Ontario company to complete its qualifying transaction ("QT"). The proposed QT is tentatively scheduled to close by February, 2002.

ITEM 5 Full Description of Material Change:

Red Lantern is pleased to announce that it has entered into an MOA with a private Ontario company to complete its QT. The proposed QT is tentatively scheduled to close by February, 2002. TrekLogic Inc. ("TrekLogic") was incorporated on August 27, 1997 as an Ontario corporation and is headquartered at Suite 203, 200 Town Center Boulevard, Markham, Ontario. TrekLogic was founded by and has been operating since incorporation as a provider of software solutions, incorporating custom-designed software as well as TrekLogic's proprietary software tools and continues to be managed by three founders: Stanley Yu, Clement Ng, and Simon Hung, all of whom are graduate engineers, and each of whom have in excess of 15 years of post-graduation experience in developing software solutions. They are all resident in Ontario. In addition to the three founders, who were the only shareholders until the amalgamation described below, TrekLogic presently has 11 permanent employees and (currently) two contractors on staff.

TrekLogic entered into an agreement dated September 5, 2001 with Stepping Solutions Inc. ("Stepping"), a private Ontario corporation, whereby the businesses of TrekLogic and Stepping were to be merged pursuant to a merger agreement, with closing of the QT to occur as soon as possible thereafter. An amalgamation (the "Amalgamation") was completed on September 30, 2001. Shareholders, note-holders, accounts payable, management and advisors of Stepping, on the Amalgamation received 2,617,650 common shares of the amalgamated company and 1,000,000 warrants, with each warrant exercisable at $0.51 for a common share, for a period of 3 years from closing. As a result of the Amalgamation, founders of TrekLogic have a 75% (pre-dilution) ownership in the amalgamated company. SteppingStone Capital Corporation ("SteppingStone") and related parties now hold 8.1% of the post-Amalgamation shares. Mr. John McKimm, the Chairman of Stepping and a Director of Red Lantern, was issued 952,236 warrants and 617,650 shares in return for assuming certain ongoing liabilities of Stepping. Various other creditors received the remaining 47,764 Warrants. Mr. McKimm will be appointed Chairman of the amalgamated company after the announcement of the QT.

None of the related parties of Red Lantern had, prior to the Amalgamation, any beneficial interest in, or were insiders of TrekLogic.

Stepping was incorporated as an information technology services company in 1999. Its president was Paul Sleight who has over 30 years experience in information technology management, and has extensive customer relations experience which will be applied to accelerate TrekLogic's growth as part of the combined entity. John McKimm was Chairman and Robert Prentice was Chief Financial Officer. Mr. Sleight owned 21% of the common shares of Stepping prior to the Amalgamation. SteppingStone and parties related to SteppingStone owned 44.2% of the common shares, held convertible notes and were owed shareholder loans, all of which were converted, or are subject to agreements to be converted, to Red Lantern shares on completion of the QT. Agreements have been signed regarding the terms of the conversion, and the underlying common shares of TrekLogic are expected to be issued prior to October 19, 2001.

After the completion of the QT, the ownership of the Red Lantern shares will be approximately as follows:

- ? 64.2% - founders of TrekLogic
- ? 14.6% - current shareholders of Red Lantern (other than those related to SteppingStone)
- ? 6.9% - parties related to SteppingStone
- ? 5.0% - John McKimm In Trust
- ? 9.3% - other shareholders of TrekLogic

There will be 1.7 million warrants outstanding exercisable at $0.30 over a three year period ending September 30, 2004.

Other material details of the QT include:

1. Red Lantern's issued and outstanding shares presently total 2,800,000 common shares.

2. As part of the QT, Red Lantern will acquire 100% of the post-Amalgamation shares of TrekLogic/Stepping and all of the outstanding warrants, at a value of not less than $5.41 million. The purchase price will be payable in common shares of Red Lantern at a deemed share price of $0.30 per Red Lantern share with approximately 18,036,405 million shares to be issued. Red Lantern will issue for each warrant of the post-Amalgamation TrekLogic, 1.7 common share purchase warrants of Red Lantern.

3. Upon completion of the QT, it is proposed that John McKimm be appointed Executive Chairman, with Stanley Yu as President. The Board of Directors will be selected for nomination as follows:

   (a) 1 Director to be selected by John McKimm;

(b) 3 Directors to be selected by controlling shareholders of TrekLogic; and

(c) up to 4 Directors to be selected by the Board of Directors, primarily being independent directors.

An advisory and executive committee will be established. The advisory committee will be comprised of John McKimm and non-management individuals capable of adding value in the context of the business in public markets. On the closing of the QT, all existing directors and officers of Red Lantern shall agree to resign, with the exception of John McKimm and Robert Prentice, who will continue as Chief Financial Officer.

4. All currently outstanding options to acquire shares of Red Lantern held by directors and officers shall be exercised as a condition of the closing of the QT, the shares being issued on exercise to be escrowed.

5. Conditions to the closing of the transaction include the following:

(a) Management Agreements for the founders of TrekLogic, on satisfactory terms, must be executed;

(b) The option plan for Red Lantern shall provide for the issuance of approximately 10% of the issued and outstanding shares, subsequent to the QT, at a price of $0.30 per share. The options shall be issued to a combination of employees, directors and advisors of TrekLogic, to vest over 3 years, with a term of 5 years. At present there are also options outstanding to the agent for the IPO of Red Lantern, exercisable at $0.20 per share, expiring March 31, 2002;

(c) The founders of TrekLogic shall purchase a minimum of 50% of the shares of the founders of Red Lantern (excluding shares owned by John McKimm), representing at least 400,000 founders' shares, with payment to be made at $0.10 per share; and

(d) On the completion of the QT, there will be approximately 21,116,405 shares of Red Lantern outstanding. Warrants in the number of 1,700,000 will be outstanding exercisable at $0.30 per share over a 3 year period and expiring September 30, 2004.

ITEM 6 Reliance on Section 118(2) of the Securities Act:

Not applicable.

ITEM 7 Omitted Information:

Not applicable.

ITEM 8 Senior Officers:

Mark Brennan, President and Treasurer
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Robert Prentice, CFO and Corporate Secretary
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ITEM 9 **Statement of Senior Officer:**

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

DATED at Toronto, Ontario, on the 26th day of October, 2001.

RED LANTERN CORPORATION

Per: "Robert Prentice"
Robert Prentice
Chief Financial Officer

IT IS AN OFFENCE UNDER THE SECURITIES ACT AND THE SECURITIES REGULATION FOR A PERSON OR COMPANY TO MAKE A STATEMENT IN A DOCUMENT REQUIRED TO BE FILED OR FURNISHED UNDER THE ACT OR THE REGULATION THAT, AT THE TIME AND IN THE LIGHT OF THE CIRCUMSTANCES UNDER WHICH IT IS MADE, IS A MISREPRESENTATION.