FORM 51-102F3
Material Change Report

Item 1. Name and Address of Company

Free Energy International Inc.
("Free Energy" or the **"Company")**
1606 - 675 West Hastings Street
Vancouver, BC V6B 1N2

Item 2. Date of Material Change

September 10, 2013

Item 3. News Release

The news release was disseminated on September 10, 2013

Item 4. Summary of Material Change

1. Free Energy has filed an application with the TSX Venture Exchange ("**TSXV**") today to issue 15,469,250 common shares to settle outstanding debt of $1,546,925.
2. The Company intends to complete a $1,250,000 brokered private placement of 25,000,000 Common Shares at $0.05 per Share.

Item 5. Full Description of Material Change

5.1 Full Description of Material Change

Free Energy has filed an application with the TSXV today to issue 15,469,250 common shares to settle outstanding debt of $1,546,925.

On August 6, 2013, the Company announced its intent to complete a share-for-debt agreement to settle indebtedness of up to $1,700,000 by the issuance of 17,000,000 at a deemed price of $0.10 per share. The Company has entered into debt settlement agreements with various creditors to settle debt of $1,546,925 at a deemed price of $0.10 per share. The settlement of debt with the issuance of Common shares created a new control person as defined under the TSX Policies and Procedures. The Company obtained shareholder consent from a majority of shareholders approving the settlement of debt with the issuance of Common Shares. The issuance of Common Shares and settlement of debt is subject to approval of the TSXV.

Free Energy currently has 1,637,820 common shares issued and outstanding. Upon completion of the share for debt settlement, the Company will issue 15,469,250 common shares to settle outstanding debt of $1,546,925. Once the share for debt settlement is approved and the Common Shares have been issued, the Company will have 17,107,070 shares outstanding.

On August 6, 2013, the Company announced it had signed a letter of intent to acquire all of the outstanding common shares (the "**Transaction**") of Darelle Media Inc. ("**Darelle**"). Under the terms of the proposed acquisition, Free Energy will acquire 100% of the issued and outstanding common shares of Darelle. Darelle will become a wholly owned subsidiary of Free Energy which will continue to be listed on the TSXV. The final structure of the Transaction is subject to the mutual agreement of the parties, acting reasonably, following their receipt of final tax, corporate, securities law and financial advice.

Free Energy is a company incorporated under the *Business Corporations Act* (British Columbia) a "**reporting issuer**" in British Columbia and Ontario and is currently listed on the TSXV. Free Energy is a technology development company focused on the development of innovative technologies for the heating and cooling industry based on a new class of thermal superconductors. The Company's technologies build on the well-established principle of geoexchange, which allows a building to draw free heat out of the ground for heating and dump heat into the ground for cooling.

Darelle is a private company incorporated under the *Business Corporations Act* (British Columbia). The company is focused on the development of a social e-commerce platform for small to medium sized businesses to reach new customers efficiently and cost effectively. Darelle offers an easy to use, cost effective online marketplace for Consumers to get the products and services they want and Sellers to access new markets efficiently. Darelle (www.darelle.com) does not sell anything, including Users personal information or inundate Users with embedded ads or exploit them with hidden profiling tactics. Success depends on the satisfaction of the community and the business model has been built to ensure that every user's needs are met. In continuation of the community first mindset, a percentage of the revenue earned from every transaction is donated to the Charitable cause of the Buyers' choice.

Upon completion of the Transaction, the board of directors of Free Energy will consist of five individuals. In addition to the existing board of directors of four, one additional director will be appointed by Darelle. It is anticipated that the officers of Free Energy, upon completion of the Transaction, will be Kyle Kotapski, Chief Executive Officer and Dean Bethune, Chief Financial Officer.

Acquisition Terms

Darelle shareholders will receive a total of 14,500,000 common shares of Free Energy. In addition, management of Darelle will be entitled to receive 3,000,000 convertible preferred shares ("**Preferred Shares**") over a thirty-six month period. The Preferred Shares can be converted to Free Energy common shares on a one-to-one basis without further consideration. The issuance of 3,000,000 Preferred Shares are subject to minimum revenue thresholds attained by Darelle in each of the twelve consecutive reporting periods once the transaction has closed.

The completion of the Transaction is subject to a number of conditions including the signing of a definitive agreement and additional financial requirements including the following:

- As of closing of the transaction, Free Energy will have outstanding debt and/or liabilities of less than or equal to $250,000.
- As of closing of the transaction, Darelle will have outstanding debt and/or liabilities of less than or equal to $250,000.
- Concurrent with or prior to the closing of the Transaction, Free Energy shall close a private placement or public offering of the Company's shares for gross proceeds of not less than $750,000 and up to $1,000,000 on terms satisfactory to the Company.

Free Energy currently has 1,637,820 common shares issued and outstanding. Upon completion of the share for debt settlement, the Company will issue 15,469,250 common shares to settle outstanding debt of $1,546,925. Once the share for debt settlement is completed, the Company will have 17,107,070 shares outstanding.

The completion of the Transaction is also subject to satisfying a number of conditions including the Company completing due diligence, obtaining adequate financing and subject to applicable regulatory approvals and filings.

The Transaction with Darelle may be considered to represent a Change of Business ("**COB**") and therefore a "**Halt Trading**" status shall apply until this matter is determined. If a COB status is deemed to be applicable, the resultant issuer will be required to meet the TSXV Initial Listing Requirements including sponsorship unless an exemption from sponsorship is granted by the TSXV. Additional information regarding the Transaction shall be disclosed in subsequent news releases prior to any resumption of trading.

<u>Private Placement</u>

Free Energy intends to complete a $1,250,000 brokered private placement of 25,000,000 Common Shares at $0.05 per Share ("**Placement**"). Proceeds of the Placement, net of transaction costs will be used to fund costs of the Transaction, settle remaining liabilities and provide working capital for the Company.

5.2 Disclosure for Restructuring Transactions

Not applicable.

Item 6. Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

Not applicable

Item 7. Omitted Information

Not applicable

Item 8. Executive Officer

Dean Bethune, Interim President and Chief Executive Officer
(604) 696-9059

Item 9. Date of Report

September 10, 2013