

MATERIAL CHANGE REPORT

**SECTION 146(1) OF THE *SECURITIES ACT* (ALBERTA)
SECTION 85(1) OF THE *SECURITIES ACT* (BRITISH COLUMBIA)
SECTION 84(1) OF THE *SECURITIES ACT* (SASKATCHEWAN)
THE *SECURITIES ACT* (MANITOBA)
SECTION 75(2) OF THE *SECURITIES ACT* (ONTARIO)
SECTION 73 OF THE *SECURITIES ACT* (QUEBEC)
SECTION 81(2) OF THE *SECURITIES ACT* (NOVA SCOTIA)
SECTION 76(2) OF THE *SECURITIES ACT* (NEWFOUNDLAND)
SECURITY FRAUDS PREVENTION ACT (NEW BRUNSWICK)
SECURITIES ACT (PRINCE EDWARD ISLAND)**

ITEM 1 Reporting Issuer

AltaRex Corp.
1123 Dentistry / Pharmacy Bldg.
University of Alberta
Edmonton, AB T6G 2N8

ITEM 2 Date of Material Change

December 3, 2003

ITEM 3 News Release

News Release dated December 3, 2003 was issued and disseminated on December 3, 2003 and filed that same date on SEDAR.

ITEM 4 Summary of Material Change

The Issuer announced the terms of a letter agreement entered into with Nova Bancorp Investments Ltd. to effect a recapitalization and reorganization of the business of the Issuer involving a statutory plan of arrangement.

ITEM 5 Full Description of Material Change

AltaRex Corp. ("AltaRex" or the "Issuer"), announced that it had entered into a letter agreement with Nova Bancorp Investments Ltd. ("Nova Bancorp") to recapitalize and reorganize the Issuer's business. Pursuant to the Agreement, AltaRex's existing assets and liabilities will be transferred to a subsidiary company ("Newco"). All of the shares of Newco will then be conveyed to AltaRex's existing shareholders (on a one-for-one basis) and each existing AltaRex common share will be exchanged for a new class of common shares on

an up to 20 for 1 basis pursuant to a statutory plan of arrangement (the "Arrangement"). As part of the transaction, Newco intends to seek a public listing. Existing shareholders of AltaRex will thereby receive shares in the new entity that will own all of the existing assets of AltaRex. The Issuer intends to transform itself into an oil and gas exploration and production company with the assistance of Nova Bancorp. As part of this transaction, it is anticipated that the Issuer will continue its public listing.

Pursuant to the letter agreement, Nova Bancorp will provide a total of \$6.15 million to recapitalize Newco and AltaRex. Upon the satisfaction of a variety of conditions precedent, some of which are described below, it is intended that Nova Bancorp will subscribe for approximately \$1.6745 million of common shares of the Issuer and will purchase approximately \$4.475 million of 10% convertible demand notes.

It is proposed that \$5.09 million of the total capital investment will be transferred to Newco with the balance remaining with AltaRex. Nova Bancorp's subscription is subject to completion of customary documentation required to consummate the plan of arrangement, including entering into an arrangement agreement with AltaRex containing customary representations and warranties for transactions of this nature. The proposed transaction is subject to all necessary security holder and regulatory approvals and approval of the Court of Queen's Bench of Alberta. Subject to these conditions, the board of directors of the Issuer believes that the proposed transaction is in the best interests of the Issuer and its shareholders and unanimously recommends that shareholders vote in favour of the transaction.

As part of the Arrangement, it is expected that each AltaRex Shareholder will exchange each of their existing AltaRex common shares for a Newco Share (on a 1 for 1 basis) as well as receive a new class of AltaRex common shares, on a up to 20 for 1 basis. Accordingly, upon closing Newco will substantially maintain the capital structure which AltaRex currently has, being approximately 51.9 million common shares (on a non-diluted basis) while the continuing Issuer, post Arrangement will, assuming a 20-for-1 share consolidation, have approximately 4,719,847 common shares outstanding of which 2,594,847 (approximately 55%) will be owned by the existing shareholders of AltaRex.

The Issuer intends to enter into an arrangement agreement on or before December 19, 2003 and is intending to hold a special meeting of securityholders to approve the arrangement on or before February 2, 2004.

If AltaRex enters into an agreement for a superior alternate proposal that Nova Bancorp does not match, then AltaRex is required to pay to Nova Bancorp a \$500,000 break fee. Following the execution of the definitive agreement, a fee of \$250,000 plus all third party costs is payable by the offending party if it breaches certain agreed upon material covenants, agreements, representations and warranties within its control which makes it impossible or unlikely that any of the

material conditions precedent for the completion of the Arrangement to be set forth in the Arrangement Agreement being satisfied. In addition, if such condition precedents are satisfied and Nova Bancorp fails to complete the subscription for shares and notes, it is also required to pay AltaRex a break fee of \$250,000.

AltaRex has been advised by StoneBridge Merchant Capital Corp. on its restructuring efforts.

ITEM 6 Reliance on Section 146(2) of the *Securities Act* (Alberta) (or similar provisions of the other jurisdictions where this report is being filed)

None

ITEM 7 Omitted Information

Not Applicable

ITEM 8 Senior Officers

Robin Salmon
Chief Financial Officer
Phone: (780) 989-6708

ITEM 9 Statement of the Senior Officer

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

This statement is made in the city of Edmonton, in the Province of Alberta, on the 10th day of December, 2003.

 /s/ ROBIN SALMON
Robin Salmon, Chief Financial Officer