

Form 27

Securities Act

Material Change Report Under Section 118(1) of the Securities Act

CONFIDENTIAL – SECTION 118

I. FULL NAME: Reporting Issuer

Altachem Pharma Ltd.

II. ADDRESS OF PRINCIPAL OFFICE:

17215 108 Avenue NW
Edmonton, Alberta
T5S 1G2

III. DATE OF MATERIAL CHANGE:

January 18, 2000

IV. NEWS RELEASE:

January 18, 2000
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V. SUMMARY OF MATERIAL CHANGE:

Altachem Pharma finalizes joint venture agreement to construct Shanghai Hua Gao Pharmaceutical Pellet Core Company Ltd.

January 18, 2000

Warren Jackson, President and CEO of Altachem Pharma Ltd. is pleased to announce the signing of the Joint Venture (JV) Agreement between Jiangwan Industrial and Commercial Company of Shanghai, China and Altachem Pharma Ltd. for the establishment of a Joint Venture company located in Baoshan District, Shanghai, People's Republic of China according to the Joint Venture Law of the People's Republic of China and related guidelines. The new company, Shanghai Hua Gao Pharmaceutical Pellet Core Company Ltd., will manufacture and market the "Pellet Core Product", and develop new technologies in the area of modified-release formulations.

Shanghai Jiangwan Industrial and Commercial Co. Ltd. is affiliated with nine established industrial companies and one industrial development zone. One of the companies is Baoshan Pharmaceutical Factory which has been cooperating with Shanghai Medical Industry's Research Institute for years and has a solid base in the pharmaceutical industry distributing many excellent products. The company now has an industrial output of Rmb 500 million yuan and an annual after tax profit of about Rmb 80 million yuan.

The Pellet Core product not only conforms to the national trend in the industrialization of high and new technologies, but also conforms to the principles of guided foreign investment. After its establishment, the JV will become the first specialized manufacturer of pharmaceutical pellet cores in China. In the manufacturing of the product, Canadian advanced technologies and key equipment will be combined with domestic raw materials to manufacture high-quality pellet core, thus reducing the cost and also replacing imported pellet cores with domestic product.

Altachem Pharma's participation (25% interest) in the JV is a transfer of a pellet core technology formulated using Chinese raw material, as well as introducing technologically advanced equipment and operating capital of \$125,000.00 US. Jiangwan Industrial and Commercial Company represents 75% of the total investment in the forms of facility, equipment and capital. The term of the investment is for 15 years, which is automatically renewable for an additional 15 years. Altachem Pharma Ltd. will receive a 2.5% levy on gross sales paid quarterly and 15% of net profits paid yearly.

Approvals from each level of the Chinese Government have been received for the following; Joint Venture Agreement, Land Leasing Agreement, Feasibility Study, Constitution, Technology Agreement and status of the Corporate Management.

Construction of the manufacturing facility and corporate office of Shanghai Hua Gao Pharmaceutical Pellet Core Company is scheduled to begin February 2000. The blue prints are in final review so as to meet SDA and GMP standards. The JV has 13,340 square meters of land. Phase One will use 6,670 square meters. The manufacturing facility will be approximately 26,900 square feet and office and residential quarters will be approximately 5,300 square feet. The Grand Opening of the facility is targeted for the end of June, beginning of July 2000.

During the construction process ACP will be developing 4-5 technologies to add to the JV.

The business plan for the JV, in addition to capturing a significant share of the market for the pellet core product, is to mature into a full fledged pharmaceutical company which will develop and manufacture its own modified release drugs.

The Board of Directors for Shanghai Hua Gao Pharmaceutical Pellet Core Company Ltd. is composed of four (4) members from China and three (3) members from Canada. The board of directors is the highest authority in the Joint Venture.

Phase I of the JV will employ 70 personnel including 5 managing personnel, 8 technicians, 5 sales personnel and 57 plant technicians / workers.

Phase I business activities will include manufacturing, marketing and sales of the pharmaceutical "Pellet Core Product".

Scale of Production: the estimated annual output of the "Pellet Core Product" will be 250 metric tons per year. Annual sales revenue will be approximately 14.25 million Rmb. Profits will be estimated at 2.2 million Rmb per year.

For more information, please visit our WEB site or contact Roger Andrews:

Phone: (780) 448-1400
Fax: (780) 448-1436
Toll Free: (877) 502-5939
E-mail: roger@altachempharma.com

VI. RELIANCE ON SECTION 118(2) OF THE SECURITIES ACT:

N/A

VII. OMITTED INFORMATION:

N/A

VIII. SENIOR OFFICERS:

NAME: Warren Jackson
BUSINESS PHONE: (780)448-1400

CONTACT NAME: Doug Jewell
BUSINESS PHONE: (780)448-1400

IX. STATEMENT OF SENIOR OFFICER:

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

January 18, 2000
Altachem Pharma Ltd.

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