

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:

September 5, 2000

IV. NEWS RELEASE:

September 5, 2000
BCE Emergis

V. SUMMARY OF MATERIAL CHANGE:

Joint Venture in Shanghai, China approved
as a High-Tech Enterprise.

Warren Jackson, President and CEO of Altachem Pharma, is pleased to announce that the Shanghai Hua Gao Pharmaceutical Pellet Core Co. Ltd., our joint venture in Shanghai, China has recently been qualified by the Shanghai Industrial and Commercial Authority as a Hi-Tech Enterprise. There are profound benefits in achieving this qualification for the growth opportunity of the company in both the short and long-term.

Short-term benefits: Being a Hi-Tech Enterprise, Shanghai Hua Gao Pharmaceutical Pellet Core Co. Ltd. will be entitled to an exemption from the import tariff on manufacturing equipment. The JV company will save 10% (US\$40,000) of the total price on the major equipment purchase, the ROTO P600 produced by Zanchetta in Italy at a cost of US\$400,000.

Mid-term benefits: According to Chinese tax regulations, Hi-Tech Enterprise qualification provides a favorable corporate policy for a zero corporate tax rate for the first three consecutive years, followed by one half of the normal corporate tax rate for the next two consecutive years. The purpose of this policy is to encourage and support Hi-Tech Enterprise development.

Long-term benefits: This qualification brings measurable advantages to the company, but the benefit in achieving this distinction goes well beyond that scale. It creates an impressive corporate image of cutting-edge innovation and exceptional quality. With dramatic growth rates over the past decade, two to three times those of the U.S. and Europe, China bring limitless potential growth opportunity to the company for its operation in the foreseeable future. The

qualification of Hi-Tech Enterprise is an intangible asset that cannot be evaluated simply on a monetary scale.

Altachem Pharma Ltd. is an Edmonton, Alberta based pharmaceutical company, which invests in, develops, manufactures and distributes pharmaceutical products.

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.

September 5, 2000
Altachem Pharma Ltd.

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