This is the form of a material change report required under Section 85(1) of the *Securities Act* and Section 151 of the *Securities Rules*.

FORM 53-901F
(Previously Form 27)

BRITISH COLUMBIA SECURITIES ACT

MATERIAL CHANGE REPORT UNDER SECTION 85(1) OF THE SECURITIES ACT

Item 1. **Reporting Issuer**

Karma Capital Corp.
1400 - 1055 West Hastings Street
Vancouver, BC, V6E 2E9

Item 2. **Date of Material Change**

July 31, 2002

Item 3. **Press Release**

Press release was issued at Vancouver, British Columbia on August 30, 2002.

Item 4. **Summary of Material Change**

Karma Capital Corp. has executed a share exchange agreement with Natural Compounds (N.C.) Ltd., a private company incorporated in Israel.

Item 5. **Full Description of Material Change**

See attached press release dated August 30, 2002 for a full description.

Item 6. **Reliance on Section 85(2) of the Act**

Not Applicable.

Item 7. **Omitted Information**

Not Applicable.

Item 8. **Senior Officers**

The following Senior Officer of the Company is available to answer questions regarding this report:

Name: Jack Miller,
Office Held: President and Chief Executive Officer
Tel: (514) 736-1767

Item 9. **Statement of Senior Officer**

The foregoing accurately discloses the material change referred to herein.

Dated at Vancouver, British Columbia, this 30th day of August, 2002.

KARMA CAPITAL CORP.

Per:

"Jack Miller"
JACK MILLER,
President and Chief Executive Officer

KARMA CAPITAL CORP.

1103 – 1139 West Broadway
Vancouver, BC, V6H 1G1

Telephone: (604) 872-2012
Facsimile: (604) 872-2098

TSX-VN Trading Symbol: KAC August 30, 2002

News Release

Karma Announces Execution of Share Exchange Agreement

Karma Capital Corp. ("Karma" or the "Company") is pleased to announce that Karma has executed a share exchange agreement (the "Share Exchange Agreement") with Natural Compounds (N.C.) Ltd. ("Natural Compounds"), a private company incorporated in Israel, and its principal shareholders providing the framework for the acquisition of all of the issued and outstanding shares of Natural Compounds by Karma (the "Transaction").

Natural Compounds specializes in the research and development of oral anti-diabetic, anti-cataract, anti-lipidemic and other therapeutic compounds. Natural Compounds has successfully conducted an extensive series of in vitro and pre-clinical experiments of its lead anti-diabetic product, demonstrating high and immediate hypoglycemic (glucose lowering) effects on Type I, Type II and steroid induced diabetes. Natural Compounds' lead product, Anti-Diabetic Agent ("ADA"), is effective when orally administered, in contrast to insulin which must be injected and has been shown to potentiate insulin. A single oral administration of ADA to diabetic animals results in an immediate and significant decrease in their blood glucose which can last for up to six to eight hours. No adverse effects nor any hypoglycemic episodes have occurred.

These technologies have been developed by Natural Compounds and patents have been filed for the various production processes, compositions and applications. The US patent office has issued two patents to Natural Compounds and a third has been allowed. Several other patents and PCT filings are pending.

Diabetes is recognized as a major global health problem, which results in substantial morbidity and mortality in the form of cardiovascular, eye and kidney diseases, and limb amputations. About 170 million people worldwide suffer from diabetes, 50 million of them are located in North America, Europe, and Japan. The economic and health impacts of diabetes are enormous, and diabetes annual associated costs in the USA exceed $90 billion. Diabetes is the third leading cause of death in most developed countries. The current (non-insulin) diabetes pharmaceutical market generates over $8 billion in sales annually.

The next product in Natural Compounds' pipeline is an "anti cataract agent" (ACA). ACA has demonstrated efficacy in the prevention of diabetically induced cataracts, in vitro and in initial animal studies. Cataract is a common complication of diabetes and is currently only treated by surgery.

Natural Compounds intends to focus its activities initially towards the completion of the research and development program of ADA by completing the characterization of ADA; submission of an IND on the product; and entering into Phase I Clinical Trials. Natural Compounds will then extend its research and development program to further develop the additional products in the pipeline.

Upon execution of the Share Exchange Agreement, the Company advanced Cdn$25,000 by way of a non-secured loan to Natural Compounds to be used for working capital. Karma will use its best efforts to complete a private placement into Natural Compounds to raise Cdn.$350,000, such private placement to consist of convertible preferred shares of Natural Compounds.

Upon completion of the Transaction the board of directors (the "Board") of the Company will consist of not more than seven individuals comprised of four nominees of Natural Compounds and three nominees of Karma. The majority of the directors will be residents of North America. Mr. Jack Miller, President and CEO of Karma, will serve as President and CEO of the Company and Dr. Nitsa Mirsky will continue to lead the research and development activities.

Dr. Nitsa Mirsky, is the President and founder of Natural Compounds, a scientist in biochemistry and endocrinology with over 20 years of experience in diabetes research. Dr. Mirsky is the principal shareholder of Natural Compounds and is resident in Israel. The principal shareholders of Natural Compounds are Dr. Nitsa Mirsky of Israel, Iray Investments Ltd. which is controlled by Oded, Tony and Yoram Eliashar of Jerusalem, Israel and the Misgav Carmiel Technology Incubator Management Services Ltd. which is controlled by the incubator for managing technologies Enterpeunurship Misgav, Israel and The Associated Jewish Community Federation of Baltimore, Maryland USA.

The Transaction will be subject to the approval of TSX-VN and the Office of the Chief Scientist of the Israeli Ministry of Industry and Commerce. To secure this approval of TSX-VN, the parties will need to provide :

- evidence that the disinterested shareholders of Karma have approved the transaction;
- a sponsorship report prepared by a member firm of the TSX-VN ; and
- satisfactory disclosure documents that disclose the business and affairs of Natural Compounds which includes a business plan, audit and valuation of Natural Compounds.

The Company is a “capital pool” company under the policies of TSX-VN and the proposed Transaction to be entered into by the Company is intended to serve as a “Qualifying Transaction” under TSX-VN policies.

Karma is in negotiations with a member firm of TSX-VN to serve as the sponsor for the Transaction. Upon sponsorship being secured, Karma will begin the preparation of the information circular that TSX-VN will require to be sent to the shareholders of Karma.

Completion of the transaction is subject to a number of conditions, including but not limited to, TSX-VN acceptance and majority of the minority shareholder approval. The Transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the Transaction will be completed or proposed at all.

Investors are cautioned that, except as disclosed in the management information circular to be prepared in connection with the transaction, any information released or received with respect to the Transaction may not be accurate or complete and should not be relied upon. Trading in the securities of a capital pool company should be considered highly speculative.

TSX-VN has in no way passed upon the merits of the proposed transaction and has neither approved nor disapproved the contents of this press release.

Further announcements will be made as and when appropriate. For further information please contact the Company at (514) 736-1767.

KARMA CAPITAL CORP.

Per:

"Jack Miller"

Jack Miller
President and CEO

For further information please contact:
Jack Miller at (514) 736-1767

This press release may contain certain forward-looking statements. Actual events or results may differ from the Company's expectations.