

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  
ONTARIO SECURITIES ACT**

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

**Item 1.        Reporting Issuer**

Karma Capital Corp.  
1601 St. Regis  
Dollard des Ormeaux, Quebec  
H9B 3H7

(the "Issuer")

**Item 2.        Date of Material Change**

June 10, 2003

**Item 3.        Press Release**

The press release was issued at Montreal, Quebec, on June 11, 2003.

**Item 4.        Summary of Material Change**

The Issuer announced that its proposed transaction with Natural Compounds (N.C.) Ltd. had terminated. The Issuer further announced that it had entered into a letter of intent with Bortec Biomedical Ltd. to acquire all of the issued and outstanding share capital of Bortec in exchange for 15,026,668 common shares of the Issuer.

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

Following is the text of the Issuer's June 11, 2003 news release:

"Karma Capital will not be proceeding with its previously announced qualifying transaction with Natural Compounds (N.C.) Ltd. The company's proposed brokered private placement to raise a minimum of \$1-million announced in Stockwatch on Oct. 18, 2002, has also been terminated.

Management is, however, pleased to announce that it has entered into a letter of intent dated June 10, 2003, with Bortec Biomedical Ltd., a private federally incorporated company, providing the framework for the acquisition of all of the issued and outstanding shares of Bortec by Karma.

Description of Bortec business

Bortec is a medical device solutions provider developing advanced clinical diagnostic and research tools based on electromyographic (EMG) signal acquisition and analysis. Recent advances in clinical and academic research have elevated the role of the EMG signal as a tool for the assessment of neuromuscular function and disease. The increasing

use of EMG recordings with patients is helping to drive a growing market opportunity for EMG-based diagnostic devices. Bortec is utilizing its expertise to develop products for new medical diagnostic applications. Bortec's primary product at this time is the AMT-8, also known as the Octopus. It was designed and built in Calgary and has been sold worldwide for over seven years. The AMT-8 is an advanced electronic device used by clinical and academic researchers for EMG signal measurement and analysis. Sales of the AMT-8 reached approximately \$300,000 in the financial year ended March 31, 2003. Management of Bortec believes that the AMT-8 will continue to provide Bortec with a window into new discoveries in the EMG and neuromuscular clinical research community. Bortec also sells a line of EMG recording accessories, including disposable electrodes. Bortec's technology will be applied to the dental and orthodontics field, assessing temporomandibular joint disorders (TMD). The dental evaluation market is an emerging opportunity that Bortec will target with a new product, the CliniFlex. Approximately 75 per cent of the United States population has experienced one or more signs or symptoms of TMD and between 5 per cent to 10 per cent will require professional treatment. Reimbursement rates in the United States by Health Management Organizations for diagnosing TMD averages \$500 (U.S.) per patient. Bortec believes that the CliniFlex provides an opportunity for Bortec to enter into an important clinical market focusing on the diagnosis of TMD and dental occlusion. Bortec has entered into collaborations with Eyekon Technologies, which is strategic partners in the development of the CliniFlex and have licensed to Bortec the Intuition software technology. This technology is an advanced artificial intelligence software package used in a variety of industries and applications.

#### Terms of proposed acquisition

Under the terms of the letter of intent, Karma has proposed to issue a total of 15,026,668 common shares to the shareholders of Bortec in exchange for all of the issued shares of Bortec. The transaction shares will be subject to time release escrow restrictions in accordance with the policies of the TSX Venture Exchange. On the completion of the transaction, Bortec will be a wholly owned subsidiary of Karma. The transaction is intended to constitute the company's "qualifying transaction" subject to receipt of necessary regulatory approvals, shareholders approval and fulfilment of all necessary conditions.

#### Proposed private placement

The transaction is subject to Karma and Bortec working together to complete a private placement of not less than \$1-million concurrent with the closing of the Transaction. These funds will be used for product development, marketing and to provide general working capital.

#### Arm's-length relationship of Karma and Bortec

To the knowledge of Karma's management, the relationship between Karma and Bortec is arm's length, pursuant to applicable securities laws and regulations and pursuant to the policies of the TSX Venture Exchange.

#### Management upon completion of the proposed acquisition

Upon completion of the transaction the board of directors of the company will consist of not more than seven individuals comprised of four nominees of Bortec and three nominees of Karma, which will include Jack Miller, Dr. Ilan Hofmann and Dr. Lorne Wiseman.

Currently, the controlling shareholders of Bortec that are also members of management and directors of Bortec, are as follows:

Dr. Brett Schonekess is a co-founder of Bortec and has filled the roles of director, corporate secretary, vice-president corporate development and finance, and now, interim president and chief executive officer of Bortec. Dr. Schonekess obtained his doctorate from the University of Alberta and a master of business administration from Queen's University. He is a co-founder of the private consulting company, Mind to Market Solutions Inc., focusing on marketing and business development in the life sciences and health care industry. Additionally, Dr. Schonekess is a director of Rogers Associate Financial Partners Inc., a Calgary-based financial services and insurance brokerage, and is also an officer with CytoStore Inc., a Calgary company that develops and markets biomedical research tools for use within university laboratories.

Dr. Scott Day is a co-founder, director and past president and chief executive officer of Bortec. Dr. Day has now taken on the role of scientific adviser to focus on new product development (the CliniFlex) and is also focussing his efforts on increasing the sales of the AMT-8. Dr. Day has a doctorate from the University of Calgary in clinical neuroscience, and has an extensive scientific background in EMG signal analysis and physiological recording. Prior to the formation of Bortec, Dr. Day was an assistant professor at the Centre for Musculoskeletal Research, National Institute for Working Life (Umea, Sweden), where he studied aspects of sensory and motor physiology. Dr. Day is also the president of Scientia Biomedical Ltd., the company that originally marketed and distributed the AMT-8 in North America and Europe.

Boris Kacmar has been the primary driving force behind the development and manufacturing of the AMT-8 over the past nine years. Mr. Kacmar did this through his association with Bortec. He currently works at a large multinational corporation in Calgary, Alta., as the hardware projects technical lead. His expertise in electronics design, development and project management is a key part of Bortec's technology development program. Mr. Kacmar has a bachelor of science from the Technical University of Slovakia, Czechoslovakia.

Additional information regarding Bortec and the transaction, including summary financial information and the proposed board, will be provided in subsequent new releases.

#### Approvals required

The transaction will be subject to the approval of the TSX Venture Exchange. To secure this approval of the TSX Venture Exchange, the parties will need to provide: evidence that shareholders of Karma have approved the transaction; if required, a sponsorship report prepared by a member firm of the TSX Venture Exchange; and satisfactory disclosure documents that disclose the business and affairs of Bortec which includes a business plan, audit and valuation of Bortec.

The company is a "capital pool" company under the policies of the TSX Venture Exchange and the proposed transaction is intended to serve as the "qualifying transaction" under TSX Venture Exchange policies.

The letter of intent is not a binding agreement and all of the foregoing is subject to the terms and conditions of the formal binding agreement to be entered into between the parties."

**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                           |
| Title:     | President and Chief Executive Officer |
| Phone No.: | 514-685-8118                          |

**Item 9. Statement of Senior Officer**

The foregoing accurately discloses the material change referred to herein.

Dated at Dollard des Ormeaux, Quebec, this 12th day of June, 2003.

**KARMA CAPITAL CORP.**

**Per:**

"Jack Miller"  
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**Jack Miller**  
President and Chief Executive Officer

IT IS AN OFFENCE FOR A PERSON TO MAKE A STATEMENT IN A DOCUMENT REQUIRED TO BE FILED OR FURNISHED UNDER THE ACT OR THIS REGULATION THAT, AT THE TIME AND IN THE LIGHT OF THE CIRCUMSTANCES UNDER WHICH IT IS MADE, IS A MISREPRESENTATION.