

FORM 51-102F3
MATERIAL CHANGE REPORT

Item 1. Name and Address of Corporation

ConjuChem Inc. (the “Company” or “ConjuChem”)
225 President-Kennedy Avenue
Third Floor, Suite 3950
Montreal, Quebec
H2X 3Y8

Item 2. Date of Material Change

February 24, 2006.

Item 3. Press Release

A press release was issued by the Company on February 24, 2006. A copy of the press release is attached hereto.

Item 4. Summary of Material Change

The Company announced that it has entered into a letter agreement with 1211417 Alberta Inc. (the “Investor”), an investor group led by Sheldon Reid, a co-founder of Capital Energy Resources Ltd., to recapitalize and reorganize the Company’s business and provide the Company with a non-diluting capital injection of \$6.4 million.

Item 5. Full Description of Material Change

The Company entered into a letter agreement with the Investor to recapitalize and reorganize the Company’s business and provide the Company with a non-diluting capital injection of \$6.4 million.

Pursuant to the letter agreement, the Investor will invest \$6.4 million in ConjuChem by way of convertible debentures. ConjuChem will subsequently (i) transfer its existing assets (including the \$6.4 million proceeds) and liabilities to a subsidiary company (“Newco”), and (ii) distribute all the outstanding shares of Newco to the Company's current shareholders on a one-for-one basis pursuant to a plan of arrangement (the “Arrangement”).

Under the Arrangement, existing shareholders of the Company will also retain a 20% equity interest in the Company while current holders of stock options and warrants of ConjuChem will exchange their existing options and warrants for options and warrants in Newco. Newco will also assume the current Senior Convertible Notes of ConjuChem. In addition, Newco will grant the current

holders of Senior Convertible Notes and warrants of the Company, as contemplated by the trust indentures governing such instruments, additional common shares of Newco (or a cash equivalent) upon conversion or exercise of the notes or warrants, respectively, having a value equivalent to the value, if any, on the date of conversion or exercise, of the shares of the Company they would have retained as a result of this transaction, the whole subject to a maximum aggregate amount of \$4.0 million.

The Arrangement is contingent upon the approval of (i) the Company's securityholders by a special resolution approved by 75% of the votes cast at the meeting and (ii) the Québec Superior Court (the "Court"). Subject to the approval of the Court, it is expected that a management proxy circular containing a detailed description of the Arrangement will be mailed in April 2006 and that the proposed Arrangement will be dealt with at a special meeting of securityholders to be held in May 2006.

The Arrangement is also subject to all necessary regulatory approvals, including approval of the Toronto Stock Exchange (the "TSX") and the receipt by the Board of Directors of the Company of a favourable fairness opinion to be provided by an independent third party financial advisor.

Following the transaction, Newco, which will maintain a listing on the TSX, will change its name to "ConjuChem Biotechnologies Inc." and continue to advance a pipeline of next-generation peptide therapeutics developed by the Company towards commercialization. The current management of the Company will continue in the same capacity with Newco.

The Company has entered into a bridge loan agreement effective the date of the execution of the agreement with the investor with Baker Bros. Investments, L.P., Baker Bros. Investments II, L.P., Baker/Tisch Investments, L.P., Baker Biotech Fund I, L.P., Baker Biotech Fund II, L.P., and Baker Biotech Fund II (Z), L.P. (collectively the "Lenders") which will provide the Company with a short term loan of \$6.4 million (the "Loan") in order to effectively provide the Company with access to the proceeds from the non-dilutive financing resulting from the reorganization prior to its completion. The terms of the Loan provide that the Company may require advances at any time, subject to an aggregate maximum amount of \$2 million prior to the approval of the Arrangement by the securityholders. Advances granted under the Bridge Loan Agreement are guaranteed by a security interest in favour of the Lenders on all present and future property of the Company and shall bear interest at an annual rate of 24%.

Felix J. Baker, a director of the Company, is also a managing member of the general partner of the Lenders which have agreed to provide the Loan; Accordingly, the Loan constitutes a "related party transaction" within the meaning of Rule 61-501 of the Ontario Securities Commission ("61-501") and Regulation Q-27 of the *Autorité des marchés financiers* ("Q-27") but was

exempted from the formal valuation requirement since the transaction consists of a credit facility. The transaction was also exempted from the minority approval requirements of 61-501 and Q-27 since (i) the Loan has no equity component and (ii) was obtained on reasonable terms which, in the opinion of the Board, are not less advantageous than those which would have been obtained in similar circumstances from a person dealing at arm's length with the Company. The Loan was finalized concurrently with the terms and conditions of the reorganization and therefore could not be previously disclosed by the Company.

An independent committee (the "Committee") of the Board of Directors of the Company established in connection with the Arrangement determined that the Arrangement and the terms and conditions of the Loan are in the best interests of the Company and its shareholders. Based on the foregoing and the favourable recommendation of the Committee, the Board has unanimously approved these transactions. Felix J. Baker did not vote nor participate in the Board decision relating to such approval.

Item 6. Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

Not applicable

Item 7. Omitted Information

None.

Item 8. Executive Officer

Lennie Ryer, CA, Vice President, Finance & Chief Financial Officer
Tel: 514-844-5558, p. 224
Fax: 514-844-1119
ryer@conjuchem.com

Item 9. Date of Report

DATED this 3rd day of March, 2006.

FRIDAY 24 FEBRUARY 2006

CONJUCHEM ANNOUNCES REORGANIZATION AND NON-DILUTIVE FUNDING

MONTREAL, Feb. 24 - ConjuChem Inc. (TSX: CJC) today announced today that it has entered into an agreement with 1211417 Alberta Inc, an investor group led by Sheldon Reid, a co-founder of Capitol Energy Resources Ltd ("Investor Group") to recapitalize and reorganize the Company's business, providing ConjuChem with a non-dilutive capital injection of \$6.4 million.

Pursuant to the agreement, the Investor Group will invest \$6.4 million in ConjuChem by way of convertible debentures. ConjuChem will subsequently transfer its existing assets (including the \$6.4 million proceeds) and liabilities to a subsidiary company ("Newco"), the shares of which will be distributed to ConjuChem's current shareholders on a one-for-one basis. Existing shareholders of ConjuChem will retain their equity interest. Current holders of stock options and warrants of ConjuChem will exchange their existing options and warrants for options and warrants in Newco. Newco will also assume the current Senior Convertible Notes of ConjuChem. As part of the reorganization, Newco will maintain a Toronto Stock Exchange (TSX) listing.

The restructuring will be completed by way of a plan of arrangement to be approved by the Quebec Superior Court and ConjuChem security holders (by a majority of at least 75% of the securityholders voting). The transaction is also subject to all necessary regulatory approvals, including approval of the TSX and the receipt by the Board of Directors of ConjuChem of a favourable fairness opinion to be provided by an independent third party financial advisor. An independent committee of the Board of ConjuChem established in connection with the arrangement and the loan transaction referred to below determined that they are in the best interests of the Company and its shareholders. Subject to these conditions, the Board has unanimously approved the transaction.

Following the transaction, Newco will change its name to "ConjuChem Biotechnologies Inc." and, fuelled by a nondilutive capital injection of \$6.4 million, continue to advance a pipeline of next-generation peptide therapeutics developed by ConjuChem toward commercialization. The current management of ConjuChem will continue in the same capacity with Newco.

Newco will grant the current holders of Senior Convertible Notes and warrants of ConjuChem, as contemplated by the trust indentures governing such instruments, additional common shares of Newco (or a cash equivalent) upon conversion or exercise of the notes or warrants, respectively, having a value equivalent to the value at such time, if any, of the shares they would have retained in the existing

entity as a result of this transaction, the whole subject to a maximum aggregate amount of \$4.0 million.

ConjuChem was advised on the reorganization transaction by Orion Securities Inc. Concurrent with the reorganization transaction, ConjuChem has entered into a loan transaction with Baker Bros. Advisors, LLC which will provide ConjuChem with a short term loan of \$6.4 million in order to effectively provide the Company with access to the proceeds from the non-dilutive funds resulting from the reorganization prior to its completion. "The combination of these two transactions provides ConjuChem with additional liquidity with which to deliver on short term milestones and enhance the value of our technology platforms. The structuring of these transactions is highly positive for our stakeholders as it strengthens our balance sheet without dilution," said Lennie Ryer, Vice-President and Chief Financial Officer. "Our shareholders will maintain their current interest in ConjuChem and, at the same time, receive an equity interest in a oil and gas venture."

Additional details regarding the transaction will be provided to shareholders in an information circular expected to be mailed in March 2006. Completion of the transaction is expected to occur in April 2006.

About ConjuChem

ConjuChem, developer of next generation medicines from therapeutic peptides, is creating long-acting compounds based on bioconjugation platform technologies. When applied to peptides, the Company's systemic DAC™ Technologies enable the creation of new drugs with significantly enhanced therapeutic properties as compared to the original peptide. The Company is developing compounds to treat various disorders including diabetes, human growth deficiencies and HIV/AIDS. Detailed descriptions of the Company can be viewed on the Company's website www.conjuchem.com

Forward-Looking Statements

Some of the statements made herein constitute forward-looking statements. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause ConjuChem's actual results, performance or achievements to be materially different from those expressed or implied by any of the Company's statements. Actual events or results may differ materially. We disclaim any intention, and assume no obligation, to update these forward-looking statements. For more information, please contact:

Lennie Ryer, CA
Vice President, Finance and
CFO
ConjuChem Inc.
514-844-5558 ext 224
ryer@conjuchem.com

Michael Polonsky
Investor Relations
416-815-0700 ext. 231
416-815-0080
mpolonsky@equicomgroup.com