TRANSITION THERAPEUTICS INC.

MATERIAL CHANGE REPORT

Section 85(1) of the *Securities Act* (British Columbia)
Section 118(1) of the *Securities Act* (Alberta)
Section 84(1) of the Securities Act (Saskatchewan)
Section 75(2) of the *Securities Act* (Ontario)
Section 73 of the Securities Act (Quebec)

Item 1 **Reporting Issuer**

Transition Therapeutics Inc. ("Transition")
415 Yonge St., Suite 1103
Toronto, Ontario
M5B 2E7

Item 2 **Date of Material Change**

May 23, 2003

Item 3 **News Release**

A press release was issued on May 26, 2003.

Item 4 **Summary of Material Change**

Transition Therapeutics Inc. raises $664,000 in a Private Placement

Item 5 **Full Description of Material Change**

Transition announced the initial closing of its previously announced private placement of up to 6,250,000 common shares at a price of $0.32 per share. Transition raised gross proceeds of $664,000 on May 23, 2003 which will be used in the completion of clinical Phase I studies and pre-clinical toxicity studies in preparation for the initiation of Phase II studies in diabetes and multiple sclerosis.

Transition raised $664,000 on May 23, 2003 through the issuance of 2,075,000 common shares at a price of $0.32 per share. Transition received $128,000 from Dr. Tony Cruz, Chairman and CEO of Transition, and the remaining financing from other investors. It is possible that there may be one or more additional closings in connection with this financing.

Item 6 **Confidential Filing**

N/A

Item 7 **Omitted Information**

N/A

Item 8 **Senior Officers**

For further information contact Dr. Tony Cruz, President and CEO, at (416) 260-7770.

Item 9 **Statement of Senior Officer**

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

DATED at Toronto, Ontario as of this 23rd day of May, 2003.

TRANSITION THERAPEUTICS INC.

By: "Michael Lincoln"
Michael Lincoln
Acting Chief Financial Officer