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

July 11, 2003

Item 3 News Release

A press release was issued on July 11, 2003.

Item 4 Summary of Material Change

Transition Therapeutics Inc. enters into a letter of intent with respect to a proposed $5.5 million private placement.

Item 5 Full Description of Material Change

Transition Therapeutics has entered into a letter of intent with Novo Nordisk A/S pursuant to which Novo Nordisk has agreed to purchase 1,111,111 common shares of Transition at a price of 45 cents per share. Subject to certain conditions such as due diligence and regulatory approvals, it is anticipated that the closing of this $500,000 financing will occur on or about July 23, 2003.

Under the letter of intent, Transition has also agreed, subject to regulatory approval, to grant Novo Nordisk the right to purchase up to an additional 10,101,010 common shares of Transition at a price of 49.5 cents per share. This right will expire on Oct. 1, 2003. If this right is exercised fully, Transition would realize additional proceeds of approximately $5-million. Proceeds from these financings will be used to further advance Transition's research and development programs.

Transition is advancing its lead diabetes product, Islet Neogenesis Therapy (I.N.T.), through the clinic and is currently investigating additional modes of administration, for this product, prior to commencing a phase II human trial. This may require an extension of Transition's timelines for its I.N.T. program.

Any securities issued under the offerings will be subject to a four-month hold period.

Item 6 **Confidential Filing**

N/A

Item 7 **Omitted Information**

N/A

Item 8 **Senior Officers**

For further information contact Dr. Tony Cruz, Chairman 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 15th day of July, 2003.

TRANSITION THERAPEUTICS INC.

By: *(signed) "Michael Lincoln"*
Michael Lincoln
Vice President