

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

February 20, 2004

Item 3 News Release

A press release was issued on February 20, 2004.

Item 4 Summary of Material Change

Transition announces exercise of underwriters’ option for additional \$3 million

Item 5 Full Description of Material Change

Transition announced that the underwriters, of its recently announced private placement, have notified Transition of their intention to exercise their option to acquire an additional 4,615,385 common shares of Transition at a price of \$0.65 per common share (the “Underwriters’ Option”). The exercise of the Underwriters’ Option will raise additional gross proceeds of \$3 million. The completion of the private placement, including the exercise of the Underwriters’ Option, will result in the total sale of 23,076,923 common shares of Transition and total gross proceeds of \$15 million.

The underwriting syndicate for the private placement includes Dlouhy Merchant Group Inc. as lead, Orion Securities Inc. as co-lead and Acumen Capital Finance Partners Limited (collectively, the “Underwriters”).

Closing of the private placement is subject to execution of an underwriting agreement mutually satisfactory to Transition and the Underwriters, regulatory approval and other customary conditions, and is expected to occur on or about February 24, 2004.

Proceeds from the private placement will be used by Transition for research and development and general corporate purposes.

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 20th day of February 2004.

TRANSITION THERAPEUTICS INC.

By: 

Catherine Auld
Chief Financial Officer