

FORM 51-102F3
MATERIAL CHANGE REPORT

Item 1 Reporting Issuer

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

Item 2 Date of Material Change

June 23, 2004

Item 3 News Release

A press release was disseminated through Canada Newswire on June 24, 2004.

Item 4 Summary of Material Change

Novo Nordisk A/S (“Novo Nordisk”) has exercised its option to license Transition’s Islet Neogenesis Therapy (“I.N.T.TM”) technology. Signing of a formal license agreement is anticipated to occur in the near future.

Item 5 Full Description of Material Change

Transition announced that Novo Nordisk, a world leader in diabetes care, has exercised its option to license Transition’s I.N.T.TM technology. Signing of a formal license agreement is anticipated to occur in the near future.

Under the terms of the option agreement, Novo Nordisk has paid an option exercise fee of \$US 200,000 and has agreed to purchase 3,164,557 common shares of Transition at a price of \$1.58 per share. Closing of this \$5,000,000 investment is subject to regulatory approval and the entering into of the formal licensing agreement. The shares issued to Novo Nordisk will be subject to a four month hold period.

The I.N.T.TM technology platform is based on the discovery that a short course of injections of naturally occurring peptides could regenerate a body's insulin-producing cells. Two islet neogenesis products are under development, Transition's lead product, I.N.T.TM, which has completed two phase I clinical trials and GLP1- I.N.T.TM which is currently in pre-clinical development.

Item 6 Reliance on subsection 7.2(2) or (3) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

No information has been omitted on the basis that it is confidential information.

Item 8 Executive Officer

For further information, please contact Dr. Tony Cruz, Chairman and Chief Executive Officer of Transition by telephone at (416) 260-7770.

Item 9 Date of the Report

June 28, 2004.

TRANSITION THERAPEUTICS INC.

Per:



Catherine Auld
Chief Financial Officer