Prospectus dated January 25, 2000

This prospectus constitutes a public offering of securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder, and any representation to the contrary is an offense. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States except under the circumstances set out herein. These securities are being issued to holders of special warrants of ID Biomedical Corporation in connection with the exercise of special warrants, and this prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities in the United States. See "Details of the Offering".

New Issue

ID BIOMEDICAL CORPORATION

1,950,000 Common Shares

and

975,000 Common Share Purchase Warrants

This prospectus qualifies the distribution of 1,950,000 common shares (the "Common Shares") and 975,000 common share purchase warrants (the "Warrants") of ID Biomedical Corporation (the "Company" or "IDB") issuable upon the exercise, or deemed exercise, of 1,950,000 special warrants (the "Special Warrants") previously distributed by the Company. Each Special Warrant entitles the holder thereof to acquire, subject to adjustment, one Common Share and one-half of one Warrant at no additional cost and is exercisable at any time and from time to time until 4:30 p.m. (Vancouver time) on the day (the "Expiry Date") that is the earlier of: (a) the third business day after the last of the British Columbia and Ontario securities commissions to do so issues a receipt for a final prospectus qualifying the distribution of the Common Shares and Warrants issuable upon the exercise or deemed exercise of the Special Warrants; and (b) October 29, 2000. Any Special Warrants not exercised prior to 4:30 p.m. (Vancouver time) on the Expiry Date shall be deemed to have been exercised by the holder immediately prior thereto without any further action by the holder.

The Special Warrants were sold pursuant to prospectus exemptions under the applicable securities legislation pursuant to an agency agreement dated as of October 29, 1999 between the Company and Haywood Securities Inc. (the "Agent"). The offering price per Special Warrant was determined by negotiation between the Agent and the Company. The net proceeds to the Company from the sale of the Special Warrants will be approximately $4,485,000 after deducting the fee of $390,000 paid by the Company to the Agent in connection with the sale of the Special Warrants, but before deducting the expenses of the issuance of the Special Warrants. No commission or fee will be payable to the Agent by the Company in connection with the distribution of the Common Shares and Warrants upon the exercise of the Special Warrants.

	Price	**Agent's Fee[(1)]**	**Net Proceeds to the Company[(2)]**
Per Special Warrant	$2.50	$0.20	$2.30
Total **……**	$4,875,0000	$390,000	$4,485,000

(1) As additional consideration for their services as agent in connection with the offering, the Company also granted to the Agent 195,000 special warrants (the "Agent's Special Warrants") exercisable, without payment of any consideration, into common share purchase warrants (the "Agent's Warrants"). Each Agent's Warrant will entitle the holder thereof to purchase an additional common share of the Company at the price of $2.75 per share for a period of two years. This prospectus also qualifies the distribution of the Agent's Warrants on exercise of the Agent's Special Warrants.

(2) Before deducting the expenses of the offering, which are estimated to be $120,000.

The Common Shares of the Company are listed on The Toronto Stock Exchange, the NASDAQ SmallCap Market and the Berlin Stock Exchange. On January 24, 2000, the closing price of the Common Shares was $5.50 on The Toronto Stock Exchange. On October 25, 1999, the date on which the Special Warrants were priced, the closing price of the common shares of the Company was $2.60 on The Toronto Stock Exchange. **There is no market through which the Warrants may be sold.**

The issuer of the securities qualified under this prospectus has no history of profitable operations. Investment in the securities qualified by this prospectus must be regarded as highly speculative due to the nature of the Company's business and for the other reasons set out in the section entitled "Risk Factors".

The Company has allocated the full issue price of the Special Warrants to the Common Shares issuable upon exercise thereof. The effective offering price of $2.50 per Common Share exceeds the net tangible book value per Common Share as at September 30, 1999 by $2.31 or 92.5% after giving effect to the issue of the Common Shares and Warrants upon the exercise of the Special Warrants. See "Dilution"

AGENT

Haywood Securities Inc.
Suite 1100, Commerce Place, 400 Burrard Street
Vancouver, BC V6C 3A6
(604) 643-1100

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GLOSSARY OF TECHNICAL TERMS

adjuvant:	a substance or drug added to a vaccine to increase the immune response and the therapeutic or prophylactic benefit of the vaccine
amplification:	a technology by which an initial small reaction or signal can be increased in size such that it can be better observed, recorded or quantified
assay:	a test for a particular substance
bacteria:	a large group of typically single celled microorganisms, some of which are disease causing
biotechnology:	the application of organisms, biological systems or biological processes to manufacturing and service industries including any process in which organisms, tissues, cells, organelles or isolated enzymes are used to convert biological or other raw materials to products of greater value - also includes the design and use of reactors, fermenters and downstream processing, analytical and control equipment associated with biological manufacturing processes
chimeric probe:	a non-naturally occurring nucleic acid sequence consisting of two segments of DNA linked together by a segment of RNA and also referred to as scissile link construction
CPT:	Cycling Probe Technology - a proprietary technology for detecting target DNA that uses the target to catalyze the conversion of chimeric probes to shorter, detectable fragments
cross-specimen contamination:	a universal problem with gene detection methods that rely on DNA amplification. DNA amplification methods such as the polymerase chain reaction make DNA, which has the same sequence as the target DNA. The amplified DNA, which is called the amplicon, is in such great abundance that research and clinical laboratories that routinely amplify a specific target become contaminated with the amplicon. Consequently, specimens that may not contain the target DNA become contaminated with the amplicon which is then amplified during the test resulting in a false positive
DNA:	Deoxyribonucleic Acid - a complex biological polymer found in the cell nucleus of all living organisms which contains all the genetic information necessary to direct all aspects of cellular function - it also carries and transmits the genetic information in most organisms (an exception being the RNA viruses)
diagnostic:	an adjective referring to diagnosis; the determination of the nature or cause of a disease or condition
enzyme:	a functional protein that catalyses a chemical reaction

expression level:	the degree to which a specific gene is expressed. Some genes are silent, which means that the genetic information is not read out. Genes can be turned on by various means. When a gene is turned on, the genetic information residing in the gene is transcribed into messenger RNA and then translated into protein. The gene is expressed. Some genes are expressed at a low level (less than one messenger RNA molecule per cell). Other genes are highly expressed (more than 10,000 messenger RNA molecules per cell)
extracellular protein antigens:	products secreted by a disease organism that are recognized by the immune system as foreign
extracellular secreted protein vaccines:	vaccines that are formulated using extracellular protein antigens from specific disease-causing organisms
FDA:	United States Food and Drug Administration - the government agency which regulates the use and sale of medical products in the United States
gene:	a biological unit of heredity, a specific piece of DNA that codes for a particular enzyme or structural protein or regulatory property of that organism
gene probe:	specific fragments of gene sequences which under certain conditions can be used as a diagnostic tool for detection of DNA or RNA of a particular organism - CPT uses chimeric probes which contain a linked segment of RNA
hybridization:	a natural pairing between two complementary strands of DNA which is caused by the formation of hydrogen bonds between the complementary strands
immunocompetent:	denotes a person whose immunologic mechanism is functioning normally
immunocompromised:	denotes a person whose immunologic mechanism is weakened or deficient either because of an immunodeficiency disorder or because of an immunosuppressive agent
infectious diseases:	diseases caused by bacteria, viruses, parasites, etc., which can be spread from one organism to another
in-vitro:	“in glass”; a biologic or biochemical process occurring outside a living organism
molecule:	the smallest possible particle of a substance that retains all of the properties of the substance and is composed of one or more atoms
MRSA:	methicillin resistant Staphylococcus aureus

mycobacterium:	any of the large group of bacteria which are nonmotile, aerobic and difficult to stain, examples are Mycobacterium tuberculosis which causes tuberculosis in man, Mycobacterium leprae which causes leprosy and Mycobacterium bovis which causes tuberculosis in man and cattle
polymorphism:	a mutation in a gene. The human genome has about one base mutation in every 1,000 bases. These mutations are thought to account for individual differences.
prophylactic:	vaccines designed to produce an immune response that prevents a disease or condition
RNA:	ribonucleic acid - a biological polymer similar to the DNA molecule which may act as a genetic messenger to areas of the cell responsible for manufacturing all proteins, enzymes and structural components of the cell - also the genetic material of some viruses
SLT:	Scissile Linkage Technology - proprietary technology which describes the non-naturally occurring covalent bonding of DNA to RNA - these linkages are used in chimeric probes for CPT
sensitivity:	test positives divided by true positives expressed as a percentage
specificity:	true negative results as a proportion of the total true negative and false positive results
target-based systems:	detection systems that rely on amplifying the target DNA
therapeutic:	vaccines designed to produce an immune response that treats, cures or improves an existing disease or condition
VRE:	vancomycin resistant enterococcus
WHO:	World Health Organization - an international agency which assists countries to research, co-ordinate and target health care related resources and provides regional and national structures in the prevention and control of diverse health concerns

SUMMARY OF PROSPECTUS

The following is summary information only. Reference is made to the more detailed information appearing elsewhere in this prospectus.

The Company

ID Biomedical Corporation (the "Company" or "IDB") is a North American biotechnology company involved in two fields of medicine: rapid gene-based disease identification and subunit vaccines. The Company's gene detection technology, Cycling Probe Technology™ ("CPT"), has been shown to have cost, time and ease of use advantages over comparable gene detection systems currently on the market. IDB's first product on the market is the Velogene™ Rapid MRSA Identification Assay for methicillin resistant *Staphylococcus aureus* ("MRSA"), and a second product candidate, Velogene™ Rapid VRE Identification Assay for vancomycin resistant enterococcus ("VRE"), is currently in development. Each assay uses CPT to detect the genes responsible for antibiotic resistance. The Company's vaccine subsidiary is engaged in the development of subunit vaccines against infectious diseases. IDB's lead vaccine product candidates in development are a vaccine against group A streptococcus and a vaccine for the prevention of tuberculosis which has been licensed to Pasteur Mérieux - Connaught, a subsidiary of Aventis, Inc. ("PMC").

Gene Based Disease Testing

Gene-based testing is rapidly growing in importance within the $17.5 billion *in-vitro* diagnostic industry and in the analysis of gene sequences for target validation/drug discovery programs. Systems based on first generation gene detection technologies are complex, expensive and prone to false positives. These factors have limited their ability to capture substantial market share in disease testing and pharmaceutical research.

IDB is developing simple, cost effective gene-based tests utilizing its proprietary gene detection platform known as CPT. IDB believes that simpler and less expensive systems, such as CPT, are necessary for the widespread adoption of gene-based testing.

IDB's technology has a number of advantages when compared to other gene detection platforms:

- the Company expects it to be much simpler than target amplification or signal amplification as CPT is based on a single probe, single enzyme and isothermal reaction;
- CPT reactions are rapid (typical reaction times are 90 minutes or less);
- CPT is not prone to the cross-specimen contamination that plagues target-based systems;
- the reaction is linear, thereby theoretically allowing for quantification of the target gene; and
- CPT may be adaptable to a variety of automated and non-automated formats and its simplicity makes it well suited for point-of-care diagnostics.

The first CPT-based product on the market in North America and Europe is a rapid culture confirmation test for MRSA. A second test for VRE is currently in pre-clinical development. These tests illustrate the accuracy, speed and simplicity of the CPT technology.

The Company has five issued patents in the United States relating to the CPT technology and has filed three additional patent applications with the U.S. Patent and Trademark Office ("USPTO") with respect to improvements to CPT. Patents relating to CPT have also issued in Canada, Europe, Japan and Australia, and further applications are in various stages of prosecution in these jurisdictions.

The Company has assembled an experienced scientific and management team which has been essential in developing the CPT technology platform and in developing rapid gene-based tests. A number of IDB's personnel have particular experience in the market introduction of gene-based products.

IDB's business strategy is to develop its proprietary gene detection technology and associated products primarily through partnerships with senior diagnostic and pharmaceutical companies. The Company is interested in collaborative agreements with alliance partners who have the capability to effectively distribute the CPT-based products currently in development and to partner with IDB to develop new products and services utilizing the Company's gene detection platform. One example of this is a distribution and non-exclusive license agreement between the Company and Alexon-Trend Inc., a subsidiary of Sybron International Corporation.

Subunit Vaccines

IDB established a subsidiary, ID Vaccine Corporation ("ID Vaccine") to take advantage of the worldwide trend towards cost containment in the delivery of healthcare. Vaccination has long been recognized as one of the most cost-effective forms of disease control. In 1999, the world human vaccine market is expected to exceed $5.49 billion. This market is predicted to grow at a 13-14% compounded annual growth rate for the foreseeable future. In dollar terms, the market is dominated by new proprietary vaccine products that address major global infectious diseases.

ID Vaccine is developing subunit vaccines for human infectious diseases where no effective vaccines exist. Subunit vaccines differ from traditional vaccines in that they consist only of proteins or other components of the organism rather than the whole live organism. The Company believes there will be several inherent advantages to subunit vaccine technology:

- by boosting the host immune response selectively to the molecules most relevant to protective immunity, a subunit vaccine may induce a higher level of immune protection than a vaccine based on a whole altered organism;

- as a subunit vaccine need contain only one or a few molecules or submolecular fragments, it is likely to be less toxic than a whole bacterial vaccine that contains thousands of different molecular species;

- a subunit vaccine can be closely monitored for quality standards due to the homogenous nature of the subunit or fragment; and

- a subunit vaccine would not cause the spread of the disease to other parts of the body in immunocompromised people.

ID Vaccine has two lead vaccine product candidates in development. A vaccine against group A *streptococcus* is being developed in collaboration with the University of Tennessee and the National Institutes of Health and is in Phase I clinical trials at the University of Maryland. A vaccine against tuberculosis is being developed in collaboration with Pasteur Mérieux - Connaught and the University of California, Los Angeles.

ID Vaccine's business strategy is to establish corporate partnerships to take the Company's vaccines through clinical trials, manufacturing and worldwide distribution and sales.

The Offering

Issue:	1,950,000 Common Shares and 975,000 Warrants issuable at no additional cost, upon the exercise or deemed exercise of 1,950,000 Special Warrants previously issued by the Company.
Special Warrants:	1,402,700 Special Warrants were issued by the Company on October 29, 1999, pursuant to prospectus exemptions under applicable securities legislation at a price of $2.50 per Special Warrant. In addition, on December 7, 1999 the Company issued an additional 58,000 Special Warrants and on December 31, 1999 the Company issued an additional 489,300 Special Warrants. The total gross proceeds of the sale of Special Warrants was $4,875,000. The Special Warrants were issued pursuant to a special warrant indenture (the "Special Warrant Indenture") made as of October 29, 1999 between the Company and Montreal Trust Company of Canada (the "Trustee"). See "Details of the Offering". Since their respective dates of issuance, none of the Special Warrants has been exercised.
Exercise Details:	Each Special Warrant entitles the holder thereof to acquire, subject to adjustment, one Common Share and one-half of one Warrant, at no additional cost, at any time until 4:30 pm (Vancouver time) on the day (the "Expiry Date") that is the earlier of: (i) three business days after the last of the British Columbia and Ontario Securities Commission to do so issues a receipt for a final prospectus qualifying the distribution of the Common Shares and Warrants issuable upon the exercise or deemed exercise of the Special Warrants; and (ii) October 29, 2000. Any Special Warrant not exercised prior to 4:30 pm (Vancouver time) on the Expiry Date shall be deemed to have been exercised by the holder immediately prior thereto without any further action by the holder. See "Details of the Offering".
Warrants:	975,000 Warrants will be issued in accordance with the terms of a share purchase warrant indenture (the "Share Purchase Warrant Indenture") made as of October 29, 1999, between the Company and Trustee, upon the exercise or deemed exercise of Special Warrants. Each whole Warrant will entitle the holder thereof to acquire one common share (a "Warrant Share") at the price of $2.75 per share, subject to adjustment, in accordance with the terms of the Share Purchase Warrant Indenture, until October 29, 2002.

Use of Proceeds:	The estimated net proceeds of this offering, after deduction of the Agent's fee but before deduction of the estimated expenses of the offering are approximately $4,485,000. The net proceeds of the sale of the Special Warrants will be used to fund the Company's ongoing research and development programs in gene-based testing and subunit vaccines, to repay $321,200 to convertible note holders and for general corporate purposes. See "Use of Proceeds".
Dividend Policy:	The Company has paid no dividends. The payment of dividends in the future will depend on the earnings and financial condition of the Company and on such other factors as the Board of Directors of the Company may consider appropriate. However, since the Company is currently in a development stage, it is unlikely that earnings will be available for the payment of dividends in the near future.
Risk Factors:	Investment in Common Shares and Warrants may be regarded as highly speculative for a number of reasons including: the Company will require additional funding for future development; the Company has incurred losses since inception and may continue to incur substantial losses; the Company's success depends on collaborative partners, licensees and other third parties over whom there is limited control; the Company will depend on its ability to protect its proprietary rights and operate without infringing upon the proprietary rights of others; the Company may not be able to obtain regulatory approvals that are necessary to commercialize its products; the Company depends upon the availability of reimbursement from third-party payors who are increasingly challenging the price and examining the cost effectiveness of medical products and services; the Company's operations involve hazardous materials which require it to comply with regulatory requirements and which could subject it to damages resulting from accidental contamination or injury; developments by other companies could render the Company's products or technologies non-competitive; lack of commercial manufacturing experience means that the Company will have to incur substantial costs to develop manufacturing facilities or contract with third parties over whom it has limited control to develop its products; the Company's lack of marketing and sales experience means that it must rely on the efforts of others to commercialize its products; the Company's products subject it to the risk of product liability claims for which it may not be able to obtain adequate insurance coverage; the Company's share price has been and is likely to continue to be highly volatile; sales of a large number of the Company's common shares and conversion of its outstanding convertible debentures could adversely affect the market price of its common shares; and, if the Company fails to become "year 2000 compliant," its operations may be materially disrupted.

Currency: All currency amounts in this prospectus are stated in Canadian dollars, unless otherwise indicated.

Selected Consolidated Financial Information

	Nine months ended			Year ended March 31 (audited)			
	September 30 (unaudited)		*December 31* (audited)				
	1999	**1998**	**1998**	**1998**	**1997**	**1996**	**1995**
Revenue	287,224	183,203	213,724	599,816	$1,061,493	$3,733,148	$557,092
Net income (loss)							
Total	(5,260,742)	(9,132,072)	(8,888,864)	(9,679,803)	(5,899,182)	556,751	(6,211,635)
Per share (basic)	(0.33)	(0.59)	(0.57)	(0.69)	(0.43)	0.04	(0.60)
Long term debt	1,175,270	789,679	1,721,334	783,833	140,008	134,218	134,218
Total assets	8,643,350	9,544,847	11,841,885	15,171,033	17,983,401	20,455,239	6,250,297
Shareholders' equity	5,200,681	7,651,097	8,653,323	13,156,190	17,233,757	18,840,664	4,689,984

THE COMPANY

ID Biomedical Corporation (the "Company") was incorporated under the *Company Act* (British Columbia) on March 4, 1991. The Company has three subsidiaries, ID Vaccine Corporation ("ID Vaccine"), ID Biomedical, Inc. and ID Financial Corporation.

ID Vaccine was incorporated under the laws of the State of Delaware on March 9, 1993. The Company currently holds approximately 96% of the outstanding voting securities of ID Vaccine. However the University of Tennessee Research Corporation has the right to receive certain common shares of ID Vaccine pursuant to an agreement relating to ID Vaccine's group A streptococcus vaccine. See "Subunit Vaccines - License and Acquisition Agreements - UTRC Agreement".

ID Biomedical, Inc. was incorporated under the laws of the State of Delaware on March 4, 1996. The Company holds 100% of the outstanding voting securities of ID Biomedical, Inc.

ID Financial Corp. was incorporated under the laws of the State of Delaware on May 20, 1996. The Company holds 100% of the outstanding voting securities of ID Financial Corp.

BUSINESS OF ID BIOMEDICAL - GENERAL

ID Biomedical Corporation is a North American biotechnology company involved in gene-based disease identification and subunit vaccines. The Company is developing gene-based disease identification assays (tests for a particular substance) using its proprietary gene detection system known as Cycling Probe™ Technology ("CPT"). Using CPT, it is developing a gene-based format under the trade name Velogene™. The Company's first product on the market is the Velogene™ Rapid MRSA Identification Assay for methicillin resistant *Staphyloccus aureus* ("MRSA"). A second product candidate, the Velogene™ Rapid VRE Identification Assay for vancomycin resistant enterococcis ("VRE") is currently in pre-clinical development. Each assay uses CPT to detect the genes believed to be responsible for antibiotic resistance in these organisms.

Through its subsidiary, ID Vaccine, the Company is developing subunit vaccines against infectious diseases. Subunit vaccines differ from traditional vaccines in that they consist of proteins or other components of the organism rather than the whole, live organism. ID Vaccine's product candidates in development are: a vaccine against group A streptococcus, which is the subject of a clinical partnership with the United States National Institutes of Health; a vaccine for the prevention of tuberculosis, which has been licensed to Pasteur Mérieux-Connaught, a subsidiary of Aventis, Inc. (formerly the Rhone-Poulenc Group) ("PMC"); and a therapeutic vaccine against HIV/AIDS, which is being developed in collaboration with a senior professor from the Albert Einstein College of Medicine in New York. ID Vaccine also has a research program towards the eventual development of an *E. coli* vaccine.

GENE BASED TESTING

In-Vitro Diagnostic Industry

Independent studies indicate that sales of *in-vitro* diagnostic products worldwide are approximately US$17.5 billion. "*In-Vitro*" is a biologic or chemical process outside a living organism, for example, in a test tube. About 42% of the *in-vitro* diagnostic products market is in North America, 32% in Europe, 12% in Japan and 14% in the other areas of the world. A number of gene-based *in-vitro* diagnostic products have recently been approved for sale in the United States.

In the field of clinical microbiology, producing a culture has been the standard method of infectious disease diagnosis for many years. Although it is widely used, culture can be labor intensive and can take days or weeks to identify a particular disease-causing organism. Immunoassays (diagnostic tests with antibodies) are simple, relatively accurate and inexpensive alternatives to culture. These detect the presence of disease-causing organisms through the use of binding antibodies, and are able to detect less challenging targets in a rapid, reliable manner. However, they lack specificity. For some diseases, where there may be relatively few target organisms, immunoassays lack sensitivity.

Gene-based disease testing is based on the principle that disease causing organisms contain a unique sequence of genetic material (DNA or RNA) not found in any other organism or cell. This allows for the development of tests that theoretically could approach 100% accuracy. DNA and RNA are biological compounds found in the cells of all living organisms and are associated with controlling cellular function. DNA also carries and transmits the genetic information in most organisms. DNA-based diagnostic tests identify these unique sequences of genetic material by using synthetic pieces of DNA called "probes". The probes contained in a gene-based test are designed to be uniquely complementary to the DNA of the target. In the presence of the target DNA, the probes bind naturally to the target in an event called "hybridization". Typically, probe molecules are labeled with a "signal" molecule which, following the hybridization event, emits a light signal or triggers a color change which can be detected. The detection of the hybridization event indicates the presence of the organism or gene sequence responsible for the disease condition.

In certain disease conditions, there are relatively few organisms or cells. As a result, the small number of hybridization events produces a weak signal that is difficult or impossible to detect. To overcome this problem, most DNA probe tests incorporate an "amplification" step that increases either the available amount of target DNA or amplifies the detection signal produced by the hybridization event. Although amplification increases the accuracy of gene-based tests, these approaches can also be complex and expensive.

Cycling Probe™ Technology

The Company's Cycling Probe™ Technology is a proprietary gene-based detection system that does not amplify either the target or the hybridization signal. Instead, CPT uses the target DNA to initiate a chemical reaction which converts whole probes into detectable probe fragments. This catalytic reaction is generally completed in less than one hour.

The CPT system is comprised of three elements: (1) the target DNA, (2) an enzyme called RNase H, and (3) a proprietary DNA probe which is specific to the target. The Company's probes are uniquely constructed using a patented method called Scissile Linkage Technology ("SLT"). Patents and patent applications covering SLT are owned by the Company. SLT produces a proprietary synthetic composition of DNA and RNA called a "chimeric" probe.

When the reaction mixture is combined, the probe will hybridize with target DNA present in the sample (Step 1). Once hybridized, the enzyme RNase H cleaves the RNA component of the chimeric probe (Step 2). The two probe fragments dissociate from the target DNA (Step 3) and produce a signal that, when present in sufficient quantities, can be detected (Step 4). The target DNA is now exposed again and is free to bind with another intact chimeric probe. The target DNA acts as a catalyst to produce detectable probe fragments without itself being altered or amplified in any way. The enzyme RNase H has no effect on probes not hybridized to DNA. Therefore, if the target DNA is not present in the sample,

all probes will remain intact and no signal will be produced. The process of hybridizing, cleaving and dissociating results in a rapid accumulation of probe fragments that can be detected by a number of detection systems.

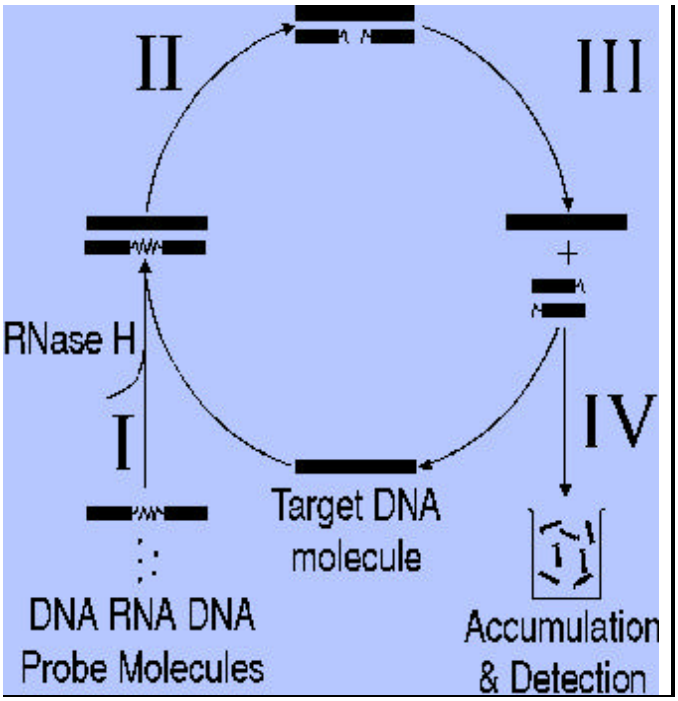
Cycling Probe™ Technology

STEP I Hybridization of probe to target DNA

STEP II Cleavage of RNA portion of hybridized probe.

STEP III Dissociation of probe fragments.

STEP IV Accumulation of probe fragments as additional probes are cycled against same target DNA.



The Company has developed four formats for CPT, including: (1) an alkaline phosphatase conjugated probe format employing centrifugation separation; (2) a fluorescein-labeled probe format with streptavidin-biotin separation and direct detection in a fluorometer; (3) a fluorescein-labeled probe format with streptavidin-biotin separation and indirect detection by enzyme immunoassay ("EIA"); and (4) a homogeneous (single tube) assay format utilizing fluorescence polarization. The Velogene™ Rapid MRSA Identification Assay, which is currently available for sale in several countries, is based on the EIA format.

The Company is working on a fifth detection system using immunochromatographic strips. Detection of the CPT fragments by such a strip may be less labor intensive and faster than EIA detection. The Company recently completed clinical trials in the United States using the strip detection format. A 510(k) application seeking clearance to market the MRSA product with a strip detection format is expected to be filed with the US FDA in the first quarter of the year 2000.

Potential Advantages of the CPT System

The CPT system offers the potential of a simple, rapid and inexpensive test for disease. The Company's technology has a number of potential advantages when compared to other gene detection formats:

- the Company expects it to be much simpler than target amplification or signal amplification as CPT is based on a single probe, single enzyme and isothermal reaction;

- CPT reactions are rapid (typical reaction times are 90 minutes or less);

- CPT is not prone to the cross-specimen contamination that plagues target-based systems;
- the reaction is linear, thereby theoretically allowing for quantification of the target gene; and
- CPT may be adaptable to a variety of automated and non-automated formats and its simplicity makes it well suited for point-of-care diagnostics.

Product Development Program

Currently, CPT is at an early stage of development and must overcome issues associated with sample preparation, non-specific cleavage and ease of detection to increase sensitivity and specificity which could lead to its widespread use in the diagnostic industry. The Company is using the CPT system to develop a gene-based testing format under the trade name Velogene™, for the identification of disease-causing bacteria from culture and other growth methods. By starting with culture, as opposed to direct samples (such as blood or urine), the current limitations of CPT's sensitivity are not important due to the large amount of target in the sample. The Company's Velogene™ Rapid MRSA Identification Assay is expected to be helpful in illustrating the accuracy, speed and simplicity of its CPT technology. Demonstrating these commercial performance attributes may be an important factor in completing corporate alliances for the development of other products with senior diagnostic companies.

All of the Company's gene-based testing products and product candidates are in the pre-clinical stage of development except for the Velogene™ Rapid MRSA Identification Assay which was cleared for marketing in the United States by the FDA on July 14, 1999. See "Regulatory Requirements".

Velogene™ Rapid MRSA Identification Assay. MRSA is a common drug-resistant form of the staphylococcus bacterium which are common causes of hospital acquired infections, including wound and post-surgical infections and life-threatening bloodstream infections. Health Canada's Laboratory Centre for Disease Control estimates that the prevalence of MRSA has increased from less than three percent in the early 1980's to as high as 40 percent in many North American and European hospitals. Because MRSA organisms spread quickly from patient to patient, rapid diagnosis, isolation and treatment are required to prevent disease outbreaks.

The Company's Velogene™ Rapid MRSA Identification Assay detects the *mecA* gene, which is believed to be responsible for the bacterium's drug resistance. The test is faster and is expected to be more accurate than traditional methods used for detecting MRSA. Better accuracy is achieved through detection of the specific gene responsible for resistance. In the EIA detection format, the test requires 90 minutes after the initial 24-hour culture to identify antibiotic resistant genes, compared to one to two days after the initial 24-hour culture for traditional tests. In clinical testing using the strip format, test results were obtained 45 minutes after the initial 24-hour culture. The Company anticipates the strip format will be particularly suited to low throughput in smaller hospitals. Faster and more accurate diagnosis of MRSA can be expected to result in significant benefits to the patient and reduced costs to the hospital.

The Company has completed clinical trials of its Velogene™ Rapid MRSA Identification Assay at various North American Hospitals. The Company received clearance by the FDA to market its Velogene™ Rapid MRSA Identification Assay kit in the EIA format in the United States. The Company is also seeking Health Protection Branch approval in Canada. The Company's marketing partners are expected to obtain the necessary approvals outside of North America. See "Regulatory Requirements." On June 30, 1999, the Company signed definitive license agreements with Alexon-Trend, Inc., a subsidiary of

Sybron Laboratory Products Corporation. One agreement grants Alexon-Trend the exclusive right and license to manufacture and distribute IDB's Velogene™ Rapid MRSA Identification Assay and Velogene™ Rapid VRE Identification Assay in all countries except for Japan, and the other agreement grants Alexon-Trend a worldwide, nonexclusive license to use IDB's CPT to develop tests to detect gastrointestinal diseases. See "Marketing and Distribution". In May 1998, the Company shipped its Velogene™ Rapid MRSA Identification Assay for independent evaluation to Gifu University in Japan. When Velogene™ Rapid MRSA Identification Assay was compared with the Polymerase Chain Reaction system (the only amplified gene detection system in widespread use) at Gifu University, there was 100% agreement. On December 3, 1999, the Company signed a definitive license and distribution agreement with Mitsubishi Chemical Corporation for the non-exclusive distribution in Japan of the Velogene™ Rapid MRSA Identification Assay and the Velogene™ Rapid VRE Identification Assay.

Velogene™ Rapid VRE Identification Assay. VRE is a drug-resistant form of the enterococcus bacteria which is often acquired in hospitals. The VRE bacterium invades the gastrointestinal tract and can invade the bloodstream of people who have compromised immune systems or have a chronic illness, causing a threat to life. VRE can spread from patient to patient by direct contact and it can also be spread through contact with bathroom fixtures, food trays, linens, bedrails and any other environmental contact. Pathology data shows that the incidence of VRE in hospitals and elsewhere is increasing in the United States, Europe and Asia.

The Company is developing a rapid culture confirmation test using the Velogene™ format for VRE which detects the *vanA* or *vanB* genes. The Company has completed an in-house clinical study of the Velogene™ Rapid VRE Identification Assay in EIA format, showing that it is able to detect the presence or absence of these genes. The Velogene™ Rapid VRE Identification Assay is expected to employ the same commercial format as used for the Velogene™ Rapid MRSA Identification Assay. The Company is currently manufacturing clinical trial lots of the VRE product. Once it has produced three different manufacturing lots that have passed all necessary quality control and quality assurance specifications, the Company expects to begin external clinical trials of this product. The Company currently expects these trials to begin during the first quarter 2000.

Velogene™ Rapid TB Identification Assay. The Company is also developing a rapid culture confirmation test for TB in collaboration with the University of Arkansas. TB has made a comeback after years of decline in industrialized countries because of the HIV epidemic, immigration, travel, the aging of populations and decreased vigilance by public health authorities.

In 1998, the Company and the University of Arkansas demonstrated the feasibility of detecting the TB organism using CPT technology with a TB probe developed at the University. In February 1998, the Company announced the results of an independent clinical evaluation of the Velogene™ Rapid TB Identification Assay by University of Arkansas Center for Medical Sciences which showed the test to be 100% accurate in detecting the bacterium that causes TB in humans. The Velogene™ Rapid TB Identification Assay is expected to use the same commercial format that has been developed for the Velogene™ Rapid MRSA Identification Assay and is being developed for the Velogene™ Rapid VRE Identification Assay. Continued commercial development of the Velogene™ Rapid TB Identification Assay requires the use of specialized laboratory facilities known as "level P3" facilities that are designed to ensure that tuberculosis is properly controlled and contained. The Company does not own such facilities, but it is seeking a corporate partner with the expertise and necessary facilities to complete the development of the product. There can be no assurance that the Company will consummate such a partnership on favorable terms, or at all.

Other Tests. CPT has been selected to develop an early warning detection system for the United States Government, primarily to detect the presence of the DNA of dangerous organisms used in biological warfare. The Company's CPT gene detection technology will be utilized by a Canadian consortium funded by the United States Government's Defense Advanced Research Projects Agency in an attempt to develop a microchip-based system to detect bacteria, viruses and toxins commonly used in biological warfare. Any use of CPT in such a system is several years from development. The Company is not actively participating in this research program.

Business Strategy – Gene-Based Testing

The Company's immediate goal is to establish the Velogene™ system as a platform for DNA-based testing from culture. To do this, the Company plans to leverage its own in-house development programs by entering into strategic alliances with senior diagnostic companies for the co-development, marketing and distribution of CPT-based products. Licensing and co-development agreements with these companies should provide the Company with additional research and development expertise, reduce development risk and enable the Company to earn licensing revenues. In addition, commercialization of Velogene™ products, if successful, should allow for continued development of CPT for other disease identification markets (such as direct testing of genes in blood, serum or urine). However, even after obtaining the required regulatory approvals, there can be no assurance that Velogene™ or CPT based products will be commercially successful.

Regulatory Requirements

The manufacturing and marketing of the products under development by the Company are subject to regulation by governmental authorities in Canada, the United States and other jurisdictions.

In Canada, *in-vitro* diagnostic tests are considered to be "medical devices", the sale of which is regulated by the Bureau of Radiation and Medical Devices of the Health Protection Branch under the authority of the *Food and Drugs Act* (Canada). A new rules-based system of regulation became effective on July 1, 1998. Medical devices are now classified according to the level of control necessary to assure the safety and effectiveness of the device. Class I requires an establishment license, but not a device license. An establishment license is applied for by filing a very simple form and attesting to the implementation of basic quality systems. A clinical trial is not necessarily required for a Class I device. A Class II device requires an establishment license and a device license. A device license requires an attestation by a senior company official that a clinical trial has been done using human subjects and that the trial results proved that the diagnostic test or device met the applicant's safety and efficacy requirements. The data from the clinical trial must be on file with the company and available for regulatory review. A Class III device requires that a company comply with the requirements for a Class II device and also requires that the company submit a list of the international standards of design, manufacturing safety and efficacy specific to the design type to the Health Protection Branch. A Class III device must meet or exceed these standards. A Class IV device requires that a company comply with the requirements for a Class III device and also requires a risk assessment and analysis showing that any safety risks associated with the device have been reduced to the extent possible. All pre-clinical, clinical and validation studies must be submitted with the Class IV application, as well as a list of the relevant scientific literature relating to the device. The new regulations prohibit the importation or sale of a Class II, III, or IV device unless the manufacturer holds a valid license for that device. The information required in a submission for obtaining a device license is based on the class of the device; the higher the class of a device, the more information required in the submission. Based upon discussions with the Health Protection Branch, the Company

believes its Velogene™ products will fall within Class II. Because its application for the Velogene™ Rapid MRSA Identification Assay was submitted prior to the implementation date for the new regulations, the Company has been advised by the Health Protection Branch that a device license will not be required for this product.

In the United States, *in-vitro* diagnostic tests are subject to regulation by the FDA as medical devices under the Food, Drug and Cosmetic Act. Within the FDA, the medical devices regulations are administered by the Center for Devices and Radiological Health. Before being distributed commercially, medical devices must undergo FDA review by means of a pre-market notification ("510(k)") or a pre-market approval application ("PMA") filed by the manufacturer of the device.

A 510(k) is submitted in instances where the device in question is "substantially equivalent" to an existing legally marketed device. A device is substantially equivalent if the new device does not raise new types of safety and effectiveness questions for the same intended use as a device that has already been assessed.

A PMA must demonstrate that the *in-vitro* medical device is safe and effective, and is a more complex submission that requires both clinical data and manufacturing data. The major difference between the 510(k) and PMA application processes, based on information provided to the Company by the FDA with respect to the DNA probe tests, is that the PMA involves a more rigorous examination of manufacturing data than the 510(k).

On July 14, 1999 the Company received FDA clearance pursuant to its 510(k) application to market its Velogene™ Rapid MRSA Identification Assay kit in the EIA format in the United States. The Company expects that the Velogene™ Rapid VRE Identification Assay and the Velogene™ Rapid TB Identification Assay will also undergo FDA review by means of a 510(k) application rather than a PMA.

In all other countries outside of Canada, the US and Japan, the responsibility to obtain the necessary governmental approvals required for marketing the MRSA and VRE products has been assumed by Alexon-Trend. (See “Marketing and Distribution”).

Prior to initial human testing and eventual marketing of the Company’s products, the products must be manufactured under conditions known as "Good Manufacturing Practices". These are requirements relating to quality control and quality assurance as well as the corresponding maintenance records and documentation. Manufacturing facilities must be approved and are subject to inspection by regulatory agencies.

Competition

Several diagnostic companies manufacture and sell non-amplified gene-based test kits for the diagnosis of a variety of infectious disease agents. The Company believes these tests have limited use because they do not have the sensitivity to detect low levels of target DNA.

A number of companies are at various stages of developing probe-based gene detection systems which incorporate an amplification step. The Company believes that the only amplified gene detection system in widespread use is the Polymerase Chain Reaction system owned by Roche Holdings Limited.

The Company is aware of three other amplified gene detection systems that have products approved for sale in the United States by the FDA. These tests are marketed for various diseases by Roche Molecular Systems, Gen-Probe, Incorporated and Abbott Laboratories. In addition, other companies have introduced

amplified gene-based tests for research-only purposes, and the Company is aware of other organizations that are in the process of developing amplified gene-based tests. In addition to these amplified products, several companies also have direct DNA probe diagnostic systems which do not involve amplification.

The Company is not aware of any approved gene-based tests for MRSA, although there are a number of FDA approved non-probe based, non-amplified culture tests for MRSA, including products developed by Becton Dickinson Microbiology Systems and Biomérieux Vitek, Inc.

The Company is also aware of a rapid test for detection of MRSA from culture developed by Denka Seiken Ltd. This test does not detect the gene for MRSA, but rather detects a product of the gene. The Company believes this test is currently available for sale in Europe, Canada and Japan. The Company is not aware of any pending application seeking approval to market the test in the United States. A non-FDA cleared product may only be sold "for research use only" in the US. Depending upon the pricing and market acceptance of this test, this product will very likely directly compete for market share with the Company's MRSA test.

Marketing and Distribution

The Company expects that its tests based on the CPT gene detection system will be primarily marketed to reference and hospital laboratories. The Company's strategy is to secure strategic alliances with senior diagnostic companies that have established distribution and marketing channels to market its diagnostic products. On December 3, 1999, the Company signed a definitive license and distribution agreement with Mitsubishi Chemical Corporation ("MCC") for the non-exclusive distribution in Japan of Velogene™ Rapid MRSA Identification Assay and Velogene™ Rapid VRE Identification Assay. Under the agreement, MCC has the right and responsibility to obtain all necessary regulatory approvals for these products in Japan. In addition, on June 24, 1999, the Company signed definitive license agreements with Alexon-Trend Inc., a subsidiary of Sybron International Corporation, granting Alexon-Trend the exclusive right and license to manufacture, market and distribute IDB's Velogene™ Rapid MRSA Identification Assay and Velogene™ Rapid VRE Identification Assay in all countries except for Japan. Under the agreement, Alexon-Trend has the right and responsibility to obtain regulatory approval of the products in all countries (except the US and Japan) and to use commercially reasonable efforts to promote the products and manufacture the products in quantities sufficient to meet market demands. A breach of Alexon-Trend's or MCC's obligations, as the case may be, can result in termination of the license by IDB.

Facilities and Human Resources

The Company's headquarters are located in a leased 2,100 square foot office facility in Vancouver, British Columbia. The lease expires April 30, 2004. The Company also holds a lease on a 9,800 square foot laboratory and office facility in Burnaby, British Columbia. As of May 7, 1999, this space was subleased to a biotechnology tenant that uses the facility for the same purposes for which it was intended. The lease and sublease for the Burnaby facility both expire September 30, 2003.

The Company's research and development headquarters are located in Bothell, Washington in a leased 14,000 square foot facility of which approximately 9,500 square feet accommodate research in the areas of microbiology, protein chemistry/enzymology, molecular biology, chemistry and product development. The lease on this facility expires on August 31, 2002 but is renewable at the Company's option to August 31, 2007.

License and Acquisition Agreements

Meiogenics Agreement. The Company has entered into an asset purchase agreement with Meiogenics U.S. Limited Partnership, Meiogenics Canada Limited Partnership and Meiogenics Technology Management Corp. (together, "Meiogenics") under which it acquired certain patents, proprietary technology and intellectual property associated with SLT and CPT (the "Meiogenics Assets") from Meiogenics effective December 18, 1992. The Company made an initial payment for the acquisition and subsequently, on September 8, 1999, made a milestone payment of Cdn.$1,000,000 by issuing 355,872 common shares to Meiogenics Technology Management Corp. and its affiliates as a result of obtaining FDA approval to begin marketing the Velogene™ Rapid MRSA Identification Assay.

The remaining milestone payment under the Meiogenics Agreement is payable upon the Velogene™ Rapid MRSA Identification Assay reaching sales of CDN $100,000. The final milestone payment is CDN$1,000,000 and is payable at IDB's option in cash or in shares of IDB common stock.

The Meiogenics Assets include an option and license agreement with Beckman Instruments, Inc., which expires at the end of the term of the last expiring patent developed from the technology relating to the Meiogenics Assets. Under this agreement, Beckman Instruments, Inc. received a worldwide non-exclusive license to technology relating to the Meiogenics Assets and is obligated to make royalty payments to the Company in the event it sells products covered by the Meiogenics Assets.

Integrated DNA Technologies Agreement. The Company has entered into an asset purchase agreement with IDNA under which it acquired certain assets and was granted an exclusive sublicense of certain patents and patent applications relating to CPT (the "IDNA Assets") from IDNA effective March 5, 1993. On March 31, 1997, the Company and IDNA entered into an amendment to the IDNA Agreement pursuant to which the Company agreed to fund a research and development program to be carried out by IDNA. Any funds that the Company pays to IDNA under this program will reduce the amount that it must otherwise pay to IDNA upon the achievement of specified goals relating to commercial development of the IDNA Assets (the "Milestone Payment"). The Company does not currently plan to make any further payments under this program. As of September 30, 1999 a Milestone Payment of U.S. $540,000 would be payable when the milestone is attained at the option of the Company, in either common shares or cash.

Research Agreements

The Company is a party to one agreement with the Defense Research Establishment Suffield ("DRES") under which it has granted DRES a license to use the relevant technologies, for research purposes only, during the term of the agreement. The purpose of these research collaborations is to expand the use of CPT in certain areas that would not otherwise be explored by the Company. The Company retains ownership of all sample materials and the technology and continues to own or has the right to receive an exclusive worldwide license to any improvements, modifications or new technologies arising out of the collaboration. The agreement expires March 31, 2000 and relates to the evaluation of the Company's technology to develop an early warning detection system to detect the presence of the DNA of dangerous organisms used in biological weapons.

Gene-Based Disease Identification - Patents and Other Intellectual Property

The Company holds directly, or has license rights to, a number of issued patents pertaining to CPT. Five of these patents have been issued by the U.S. Patent and Trademark Office ("USPTO"). Similar patents have also issued in Canada, Japan, Australia, Germany, Sweden, Austria, Belgium, Switzerland, Great Britain, Luxembourg, Netherlands, France and Italy.

The Company has filed additional patent applications related to CPT in major jurisdictions, which are currently in various stages of prosecution. The Company has filed three patent applications pending with the USPTO relating to various improvements to CPT and has filed four multi-national patent applications under the Patent Co-operation Treaty, which correspond to those in the USPTO application. The Company has also filed patent applications pertaining specifically to its MRSA and VRE products.

SUBUNIT VACCINES

The Company established its subsidiary, ID Vaccine, in March 1993 to develop and commercialize subunit vaccines for the prevention and treatment of human infectious diseases. ID Vaccine's products in development are subunit vaccines for the prevention of GAS, TB and AIDS. The Company also has a research program seeking to identify a vaccine candidate for *E. coli*.

Vaccines have historically been made from live organisms that have been altered to reduce their virulence. Recently, researchers have developed vaccines, called subunit vaccines, which use only a selected fraction of the organism rather than the whole organism. ID Vaccine is committed to pursuing the development of subunit vaccines against infectious diseases. The Company believes there will be several advantages to subunit vaccine technology compared to vaccines made from whole organisms:

- by boosting the person's immune response selectively to the molecules most relevant to protective immunity, a subunit vaccine may induce a higher level of immune protection than a vaccine based on a whole altered organism;

- as a subunit vaccine need contain only one or a few molecules or submolecular fragments, it is likely to be less toxic than a whole bacterial vaccine that contains thousands of different molecular species;

- a subunit vaccine can be closely monitored for quality standards due to the homogenous nature of the subunit or fragment; and

- a subunit vaccine is not expected to cause the spread of the disease to other parts of the body in people with compromised immune systems.

ID Vaccine's strategy is to develop vaccines for diseases associated with potentially significant market opportunities. ID Vaccine seeks to work with leading collaborators who have both proof-of-principle and proprietary technology to position ID Vaccine to undertake the preclinical development and initial clinical testing of new vaccine candidates. ID Vaccine intends to seek strategic alliances with senior vaccine companies to complete the development, regulatory approval, manufacture, distribution and sales of its products.

Product Development Program

All of ID Vaccine's subunit vaccines are in the pre-clinical stage of development except for the vaccine against Group A streptococcus for which an application was filed with the FDA on May 6, 1999 seeking approval to begin human testing, and for which approval was received by the FDA on June 9, 1999. Phase I human trials of the group A Streptococcus vaccine commenced at the University of Maryland's Center for Vaccine Development on October 6, 1999. See "Subunit Vaccines - Regulatory Requirements."

Group A Streptococcus Vaccine. Group A streptococcus ("GAS") is a major public health problem worldwide. GAS causes a variety of human diseases ranging from pharyngitis ("strep throat"), impetigo (a skin infection), necrotizing fasciitis ("flesh eating disease"), toxic shock syndrome, pyoderma (boils and abscesses), scarlet fever, pneumonia and acute rheumatic fever.

There are thought to be some 80 to 100 different serotypes of GAS, each with its own specific M Protein. The M Protein is a cell surface molecule that is the major virulence factor of GAS. The Company's prototype GAS vaccine covers six of the serotypes that have proven to be responsible for rheumatic fever, invasive disease and strep throat.

Work on the prototype GAS vaccine has been conducted by ID Vaccine's collaborator, Dr. James Dale, at the University of Tennessee. Animal experiments using the prototypic GAS vaccine formulated for human use were completed in which protective antibodies were produced with no associated toxicity. Additional safety studies showed that the protective antibodies did not bind to human heart or kidney tissue. These studies are significant due to safety concerns that resulted from clinical testing of GAS vaccines in the 1960s and 1970s. These concerns arose due to the potential of the M Protein to cause production of antibodies that cross-react with human tissues, especially heart tissue. Because of these safety concerns, the FDA passed a regulation prohibiting the marketing of products containing GAS when the US standard of potency is not known. The Company believes its GAS vaccine, which is based on the M Protein, will be exempt from, or overcome, these regulations due to the above-mentioned pre-clinical safety studies. In addition, the clinical testing of the vaccine in humans will be of critical importance in overcoming this regulation. There can be no assurance, however, that the Company will receive this exemption or ultimately overcome this regulation to market the vaccine. See "Risk Factors".

ID Vaccine has entered into an agreement with the National Institutes of Health ("NIH") to collaborate on the testing of the prototype GAS vaccine. Under the agreement, ID Vaccine will manufacture and supply the GAS vaccine to the NIH's National Institute of Allergy and Infectious Diseases ("NIAID") for initial safety testing in humans. The NIH will pay for the Phase I clinical trial expenses and ID Vaccine will assume responsibility for product liability and pay medical care required as a result of any volunteer's participation in the clinical trial. On May 6, 1999, NIAID filed an Investigational New Drug ("IND") application with the FDA. On June 9, 1999 the IND was approved, and the NIAID began Phase I human safety trials at its Vaccine and Treatment Evaluation Units (under contract with the University of Maryland) on October 6, 1999. The vaccine for these Phase I clinical trials has been produced under what the Company believes to be Good Manufacturing Practices by ID Vaccine at its facilities in Bothell, Washington.

ID Vaccine plans to expand the efficacy of the prototypic vaccine to cover all important serotypes of GAS. The Company's goal is to commercialize a vaccine which will protect humans against the common serotypes of group A streptococcus, thereby significantly reducing all GAS diseases. If ID Vaccine proves that the prototypic vaccine is safe in the Phase I clinical trial, an expanded final version of the GAS

vaccine covering more serotypes will be submitted to the FDA for approval to begin human testing. It is not currently known how many serotypes must be covered to significantly reduce GAS disease. In October 1999, the Company announced that it had, in collaboration with Dr. James Dale, the original inventor of the vaccine, cloned protective antigens from 24 distinct serotypes of group A streptococci, creating a vaccine composition with potentially broad coverage.

TB Vaccine. As noted above, TB is the leading cause of illness and death from an infectious disease. ID Vaccine is continuing to work with PMC, one of the world's largest vaccine companies, to finalize the composition of its TB vaccine.

AIDS Vaccine. Human immunodeficiency virus ("HIV") is the cause of the worldwide epidemic known as AIDS (the acronym for acquired immunodeficiency syndrome). Despite the considerable information and attention given to HIV, the virus continues to spread.

On November 24, 1997, ID Vaccine entered into a Memorandum of Agreement with TheraGuide Inc. ("Theraguide") under which it is intended that ID Vaccine will be granted the worldwide exclusive rights to a new therapeutic vaccine being developed for AIDS. The AIDS vaccine was developed by Dr. Ayre Rubinstein, Professor of Pediatrics, Microbiology & Immunology at the Albert Einstein College of Medicine of Yeshiva University in New York and principal of TheraGuide. The vaccine aims to prevent or delay the onset of AIDS in people infected with HIV. The vaccine is based on peptides from the HIV surface molecule GP120, selected from seven different strains of HIV. All seven peptides are chemically linked, in a process known as conjugation, to a carrier molecule, Purified Protein Derivative. The Memorandum of Agreement is subject to a definitive agreement which has not yet been executed. There can be no assurances that such a definitive agreement will be entered into on terms favourable to the Company, or at all.

In January 1999, ID Vaccine entered into a Contract Manufacturing Agreement with Biomira, Inc. of Edmonton, Canada for the production of the therapeutic AIDS vaccine. Under the terms of the agreement, Biomira will manufacture the peptide-based subunit vaccine. ID Vaccine will complete all quality, control and regulatory requirements necessary to proceed with human testing. The Company will own all vaccine, data, information and any materials produced under the arrangement. The Company expects to collaborate with TheraGuide in human testing of the therapeutic AIDS vaccine.

E. coli Vaccine. ID Vaccine is collaborating with the University of British Columbia on a research and development project aimed at developing new vaccines for bacterial infection, including enterohemorragic *E. coli* strain (*E. coli* 0157:H7*)* which causes the potentially deadly "hamburger disease". The technology will initially target *E. coli* 0157:H7 and enteropathogenic *E. coli*, a less severe strain that is a leading cause of diarrhea and dehydration in infants and young children worldwide. *E. coli* 0157:H7 infection is characterized by severe bloody diarrhea and dehydration and is extremely serious in young children. It is the leading cause of acute kidney failure in children. In the United States, it is estimated that more than 20,000 children are infected yearly. There is currently no effective protection against *E. coli* infection.

Initially, ID Vaccine and the University intend to undertake a feasibility study relating to a vaccine for *E. coli* 0157:H7. If successful, research will expand to include a vaccine for enteropathogenic *E. coli*. To assist in this effort, ID Vaccine entered into a material transfer agreement with Ribi Immunochem, Inc. ("Ribi") to test Ribi's proprietary vaccine delivery technology in the ID Vaccine/UBC feasibility study. ID Vaccine did not receive any commercialization rights or options from Ribi in connection with the agreement. Ribi has subsequently become acquired by Corixa Corporation.

Business Strategy - Vaccines

ID Vaccine was established to take advantage of the worldwide trend towards cost containment in the delivery of healthcare. Vaccination has long been recognized as one of the most cost-effective forms of disease control. The Company's strategic goal for ID Vaccine is to develop its value as an autonomous business unit. ID Vaccine is focused on achieving this goal through:

- acquiring new technologies and products which target potentially large market opportunities;
- demonstrating the safety and effectiveness of these vaccines in pre-clinical (animal) studies;
- building a team of product development scientists and clinicians that can advance these vaccines through early clinical (human) trials; and
- establishing corporate partnerships to take the vaccines through clinical trials, manufacturing and worldwide distribution and sales.

The Company expects this strategy to enable ID Vaccine to reduce development risk and earn revenues prior to product sales.

Regulatory Requirements

The research, development, manufacturing and marketing of vaccine products are subject to regulation by governmental agencies in Canada, the United States and other jurisdictions. These agencies regulate the testing, manufacture, safety, labelling, storage, record keeping, approval, pricing, advertising and promotion of vaccine products.

To receive regulatory approval, upon completion of early stage research work to explore feasibility, a new vaccine generally must pass through a number of testing stages. The first step is preclinical testing which typically involves testing the vaccine's efficacy, chemistry, manufacture, pharmacology and toxicology in animals. Successful results can lead to an Investigational New Drug submission, the approval of which enables clinical trials to begin on humans. The second stage involves three phases of clinical testing. In Phase I, the vaccine's safety in healthy subjects is assessed. In Phase II, the vaccine's efficacy, side effects and safety are measured at varying dosages in a small number of healthy subjects. In Phase III, there are controlled clinical trials in which the vaccine is administered to a large number of healthy subjects to confirm and gather further information relating to safety and efficacy of the vaccine. Following Phase III, the vaccine sponsor submits to the appropriate regulatory agency an application for marketing approval which is referred to as a product license application in the United States.

In accordance with the license and collaboration agreement with PMC, all regulatory activities and submissions in connection with the TB vaccine are the responsibility of PMC. See "License and Acquisition Agreements - PMC License and Collaboration Agreement".

In accordance with the clinical trials agreement with the National Institutes of Health, all regulatory activities and submissions in connection with the GAS vaccine for the Phase I testing of the Company's prototype vaccine are the responsibility of the National Institutes of Health. ID Vaccine will or has supplied the vaccine for clinical testing and will assume responsibility for patient liability and will pay the medical care required by any volunteer as a result of their participation in the clinical trial. See "Product

Development Programs - Group A Streptococcus Vaccine". At this time, the Company does not know if it will continue collaborating with the National Institutes of Health beyond the current Phase I trial.

The protocol of the Phase I clinical trial currently underway requires sequential testing of the vaccine in 3 different doses of 50, 100 and 200 micrograms. First, the lowest dose of the vaccine (i.e. 50 micrograms) is tested in approximately 10 healthy adult volunteers. The results of these tests are then brought before a Data and Safety Monitoring Board (DSMB) organized for this clinical trial by the FDA. Once the vaccine has been shown to be free of any safety or toxicity concerns, the Company expects the DSMB to allow testing of the vaccine at the 100 microgram dose in approximately 10 different volunteers. This process will be repeated with the safety and toxicity data from those receiving the 100 microgram dose prior to receiving clearance from the DSMB to test the vaccine at the 200 microgram dose. The Company expects to have results from the 50 microgram dose to the DSMB by January 2000.

All clinical paperwork in connection with the AIDS vaccine is being co-ordinated by TheraGuide, Inc. and will be turned into an Investigational New Drug application which ID Vaccine expects will be filed and maintained by ID Vaccine. See "License and Acquisition Agreements - TheraGuide Agreement".

Typically, regulatory approval, if granted, for vaccine products is costly and may take a number of years to obtain. See "Risk Factors".

Competition

The Company is not aware of any GAS vaccines that are currently undergoing clinical testing in humans. However, it is aware of three other competing preclinical academic/commercial research programs by The Rockefeller University and Siga Pharmaceuticals, the University of Minnesota and Wyeth-Ledrele Vaccines and North American Vaccine, Inc.

Currently, there is no effective vaccine against TB. Although a vaccine known as Bacillus Calmette-Guerin ("BCG") is widely used in developing nations, it is not commonly used in the industrialized countries due to conflicting studies regarding its efficacy. In addition, between 1% and 10% of those who receive BCG experience side effects from the vaccine. Also, individuals with compromised immune systems such as those who are HIV-positive or on immunosuppressive drugs (e.g., transplant patients, cancer patients or patients with autoimmune disorders) may contract disease if administered the BCG vaccine. BCG must also be used with caution in the elderly, newborns and, in some cases, pregnant women.

In the United States, vaccination against TB is not currently recommended by the Centers for Disease Control and Prevention and therefore the U.S. market is practically non-existent. The primary purchasers of BCG vaccines are third-world countries through bodies such as the World Health Organization and the United Nations International Children's Emergency Fund (UNICEF). There are approximately 30 manufacturers with BCG vaccines on the market and several others developing new strains of the BCG vaccine.

The Company is not aware of any TB vaccine that is currently undergoing testing in humans. However, it is aware of some small companies that claim to have preclinical tuberculosis vaccine research programs, although these companies have published very little, if any, information. In addition, Merck & Co., Inc. (Vaccine Division), and SmithKline-Beecham Biologicals S.A. in collaboration with Corixa Corporation, are engaged in preclinical research for TB vaccines.

The Company is aware of at least 11 other vaccines against HIV infections or AIDS currently under clinical development. The most advanced are a therapeutic/prophylactic vaccine by VaxGen, Incorporated which has begun Phase III studies (See "Business-Subunit Vaccines-Regulatory Requirements" for a description of the various phases that must be completed prior to regulatory approval of a vaccine). Other clinical trials for HIV/AIDS vaccines include those by PMC, Chiron Corporation, Bristol-Myers Squibb Company, Immune Response Corporation and a collaboration between Appolon Incorporated and Wyeth Lederle Vaccines. In addition, Cytel Corporation, Therion Biologics Corporation, Viral Technologies Incorporated and United Biomedical Incorporated all have or have had HIV/AIDS vaccine candidates in early human testing. The competitive environment for vaccines against HIV/AIDS is extensive and there are likely other companies, in addition to those named above, developing both therapeutic and prophylactic vaccines for this disease.

Vaccine Marketing and Distribution

In accordance with the license and collaboration agreement with PMC, all of the manufacturing and marketing activities in connection with the TB vaccine are the responsibility of PMC. See "License and Acquisition Agreements - PMC License and Collaboration Agreement".

At this time, ID Vaccine has not finalized a marketing and distribution strategy for the GAS and AIDS vaccines, nor has ID Vaccine sublicensed either of the vaccines to a commercial partner. Following preclinical and early clinical development, the Company intends to seek a strategic alliance for the further development, regulatory approval, manufacturing, distribution and sale of both the GAS vaccine and the AIDS vaccine.

License and Acquisition Agreements

UCLA Agreement. ID Vaccine and UCLA have entered into a licensing agreement pursuant to which ID Vaccine was granted an exclusive, worldwide royalty-bearing license to use certain patented technology of UCLA for the development of vaccines and immunotherapeutics against *Mycobacterium tuberculosis*. UCLA also granted to ID Vaccine exclusive, worldwide license rights to a vaccine against *Legionella pneumophila* (Legionnaires disease) developed by UCLA. The rights to the *Legionella pneumophila* vaccine were terminated and returned to UCLA in 1998. Under the agreement, ID Vaccine paid UCLA a license issue fee of U.S.$750,000 and is required to make further payments when it reaches specified milestones relating to the commercial development of the TB vaccine. ID Vaccine has reached two of the development milestones and has made milestone payments totaling U.S.$1,500,000 in cash. In addition, as a result of the achievement of the first milestone, on February 28, 1996, UCLA exercised its option to cause the Company to deliver to UCLA 82,238 common shares of the Company, which amounted to a value of US$650,000.

PMC License and Collaboration Agreement. The Company and ID Vaccine have entered into a license and collaboration agreement with PMC relating to ID Vaccine's TB vaccine technology. Under this agreement, PMC received an exclusive, worldwide royalty-bearing license and sublicense to the agreement with UCLA to develop, manufacture and sell TB vaccines. Pursuant to the agreement, ID Vaccine has received an upfront licensing fee, development support payments, and an equity investment. ID Vaccine will also receive milestone and prepaid royalty payments if certain clinical, regulatory and vaccine "use" recommendation milestones are met, as well as royalties on product sales. PMC will pay all expenses associated with the development and commercialization of the TB vaccine. In connection with this agreement, PMC received common shares of ID Vaccine representing approximately 4% of the

outstanding common shares. These shares are exchangeable into US$2 million worth of common shares of the Company. Based on the closing price for the Company's common shares on the Nasdaq SmallCap Market on December 6, 1999 (U.S.$1.75 per share), this equates to 1,142,857 common shares of the Company. The Company expects that PMC will exercise its exchange rights to receive common shares during the remainder of 1999 or 2000.

UTRC Agreement. ID Vaccine and University of Tennessee Research Corporation ("UTRC") have entered into a licensing agreement pursuant to which ID Vaccine was granted an exclusive, worldwide license to use certain patented technology of UTRC for the development of vaccines and immunotherapeutics against GAS. Under this agreement, ID Vaccine paid UTRC a license issue fee and is required to make further payments when it reaches three (3) specified milestones relating to the commercial development of the GAS vaccine, as well as an annual license maintenance fee. These milestone payments are payable in ID Vaccine common shares. On October 6, 1999 ID Vaccine believed it reached the first such milestone (removal of all FDA conditions for the initiation of human testing) under the UTRC agreement, and has proposed to issue to UTRC 408,163 common shares of ID Vaccine in satisfaction of the first milestone payment which constitutes U.S. $1,000,000. The second milestone payment if U.S.$1.5 million in ID Vaccine common shares is due upon the initiation of Phase III clinical trials. In addition, upon FDA approval of the GAS vaccine, UTRC will receive a milestone payment in ID Vaccine common stock equal to 3% of the then issued and outstanding common stock. There are no royalties due under this agreement.

UBC Option Agreement and Collaborative Research Agreement. ID Vaccine and the University of British Columbia have entered into a collaborative research agreement pursuant to which the parties agreed to collaborate toward the testing of a vaccine candidate against enterohemorrhagic *E. coli*. After an initial feasibility study proved successful, the parties have been negotiating to expand the scope of the collaboration to cover enteropathogenic *E. coli* and also to explore the possibility of other diseases that may be affected by the same disease pathway.

In conjunction with the above research program, ID Vaccine also entered into an option agreement with the University and the Canadian Microbiology Consortium, Inc. whereby ID Vaccine acquired an option to a worldwide, exclusive license to two pending U.S. patent applications and all know-how and materials pertaining to related technology. One of these patent applications has been filed in every country covered by the Patent Co-operation Treaty and the other international application is expected to be filed at the appropriate time in the future. In addition, any new technology that arises as a result of the research collaboration is subject to ID Vaccine's option. In June 1998, ID Vaccine exercised its option and has been negotiating the license with the Canadian Microbiology Consortium as well as an extension of the Collaborative Research Agreement with the University. Although the Company and ID Vaccine have good relations with all of the above parties, negotiations are proceeding and there can be no assurance that these agreements will be finalized on terms acceptable to the Company, or at all.

TheraGuide Agreement. ID Vaccine and TheraGuide, Inc. ("TheraGuide") have entered into a memorandum of agreement pursuant to which it is intended that ID Vaccine will be granted exclusive worldwide royalty-bearing rights to develop and market vaccines or immunotherapeutics based on TheraGuide's proprietary technology related to HIV. These rights are expected to include a sublicense to TheraGuide's rights, licensed from the Albert Einstein College of Medicine. TheraGuide is a company organized by Dr. Ayre Rubinstein, inventor of an AIDS Vaccine and a professor at the Albert Einstein College of Medicine. The parties intend to replace the memorandum with a definitive license and collaboration agreement pursuant to which TheraGuide and ID Vaccine will collaborate on further

research, development and testing of vaccines and other immunotherapeutics against HIV. ID Vaccine expects to pay TheraGuide a license issue fee and to be required to make further payments upon the attainment of certain milestones relating to the commercial development of TheraGuide's technology, which is protected by patent applications pending in the U.S., Canada, Europe and Japan, as well as royalties. There can be no assurance that a definitive license and collaboration agreement will be entered into on terms favourable to the Company, or at all.

Patents and Intellectual Property

UCLA owns the U.S., Canadian and European patent rights to the TB vaccine used by ID Vaccine. Patent applications for the same technology are also pending in Japan, Mexico and other countries. ID Vaccine has acquired from UCLA the exclusive, worldwide license under their patent rights and know-how relating to the development, manufacture and marketing of vaccines against TB, both for prophylactic and therapeutic use. ID Vaccine has also entered an agreement with PMC which is, in part, an exclusive sublicense of the UCLA Agreement. See "License and Acquisition Agreements - PMC License and Collaboration Agreement". In addition, any further improvements or new inventions relating to a vaccine against tuberculosis that are developed or licensed by ID Vaccine are sublicensed to PMC.

UTRC owns the patent rights to nine U.S. patents that cover all or a portion of the GAS vaccine that is licensed to the Company in connection with the license agreement between UTRC and ID Vaccine. In addition, there are three pending U.S. patent applications included within the rights licensed to ID Vaccine per the agreement. Further, included within the UTRC portfolio subject to the agreement are ten international patents and nine patent applications corresponding to the above U.S. patents and patent applications. Any improvement patents or new GAS vaccine inventions developed by Dr. James Dale are also licensed to ID Vaccine under the agreement.

Under the agreement with TheraGuide, it is intended that ID Vaccine will receive the exclusive rights to all current or future patent rights, biological materials, manufacturing know-how, clinical data and other trade secret information of TheraGuide to make, have made, use or sell vaccines or immunotherapeutics against HIV or AIDS. Patents are pending in the United States, Canada, Europe and Japan that are directed to preventative and therapeutic vaccines against HIV.

The University of British Columbia and the Canadian Microbiology Consortium, Inc. own the multi-national patent rights to the *E. coli* vaccine candidates being tested by ID Vaccine.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS

The following table presents selected historical consolidated financial data of the Company for the periods indicated. The selected historical consolidated financial data for the Company as of and for the nine month fiscal period ended December 31, 1998 and each of the four years ended March 31, 1998 is derived from the audited consolidated financial statements of the Company. The selected historical consolidated financial data for the Company as of and for the nine months ended September 30, 1999 and September 30, 1998 are derived from the unaudited interim consolidated financial statements of the Company, which in the Company's opinion include all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial information for that period. Historic results are not necessarily indicative of the results that you may expect for any other future period or for a full year.

	Year ended March 31 (audited)				Nine months ended December 31 (audited)	Nine months ended September 30 (unaudited)	
	1995	1996	1997	1998	1998	1998	1999
Statement of Operations Data:	(in thousands, except per share amounts)						
Revenue	557	3,733	1,061	600	214	183	287
Research & development expenses	2,806	2,956	4,017	6,287	5,595	5,819	2,334
General & Administration expenses	3,684	2,259	2,490	3,012	2,756	2,388	2,136
Interest expense	-	-	-	41	150	116	414
Net income (loss)	(6,212)	557	(5,899)	(9,680)	(8,889)	(9,132)	(5,261)
Net income (loss) per share	(0.60)	0.04	(0.43)	(0.69)	(0.57)	(0.59)	(0.33)
Balance Sheet Data:							
Working capital	(13)	12,778	11,286	6,393	2,938	774	(1,715)
Long term debt	134	134	140	784	1,721	790	1,175
Total assets	6,250	20,455	17,983	15,171	11,842	9,545	8,643
Shareholder's equity	4,690	18,841	17,234	13,156	8,653	7,651	5,201

To date, the Company has not paid any dividends on its common shares. The Company's policy at the present time is to retain earnings for corporate purposes. The payment of dividends in the future will depend on the earnings and financial condition of the Company and on such other factors as the Board of Directors may consider appropriate. Since the Company is currently in a development stage, it is unlikely that earnings will be available for the payment of dividends in the near future.

Overview

Since its inception, the Company has financed its technology acquisitions, research and development activities and capital expenditures from private and public equity financing and leasing transactions. The Company has also received proceeds from the licensing of its TB vaccine to Pasteur Mérieux-Connaught, contract revenue from collaborative research and development agreements with industry partners and funding through government grant programs where available. Contract revenue fluctuates from year to year, depending upon the number and scope of the Company's research and development agreements. The Company also earns interest income on its cash balances and foreign exchange income from gains on the translation of U.S. dollar balances and transactions. The Company's subsidiaries maintain their accounts in U.S. dollars and the Company maintains some U.S. dollar balances in order to fund certain expenses.

The Company intends to market its products through corporate partners with established marketing and distribution channels. The Company may not, however, be able to enter into marketing and sales agreements with others on favorable terms, if at all. There can be no assurance that any of the Company's products, if approved, will be commercially successful.

In June 1998, the Financial Accounting Standards Board (FASB) issued a new standard entitled "Accounting for Derivative Instruments and Hedging Activities". The new standard requires that all derivatives be recognized as assets or liabilities at their fair value. Changes in the fair value are recognized in income or as other comprehensive income in the equity section of the balance sheet, depending on the nature of the instrument and its hedging objectives, if any. The new standard must be adopted by the Company in the year 2000.

Research and development expenses include salary and related benefits for scientific personnel, laboratory supplies and expenses, contracted services and allocated costs for the laboratory and office facilities. General and administrative expenses include all costs not directly related to conducting research and development.

Results Of Operations

Nine months ended September 30, 1999(unaudited) compared to nine months ended September 30, 1998 (unaudited)

The net loss for the nine months ended September 30, 1999 was $5.26 million ($0.33 per share) (unaudited) as compared to a net loss of $9.13 million ($0.59 per share) (unaudited) for the nine months ended September 30, 1998. Revenues increased by 57% to $287,224 (unaudited). The increase in revenues was due primarily to the licensing and product sales from the Company's Velogene™ Rapid MRSA Identification Assay. In addition, there was a gain of $60,534 on the sale of furniture and equipment from the Company's Burnaby facility. Increased revenues were offset during the nine month period as a slight strengthening in the Canadian dollar resulted in a foreign exchange loss of $82,005.

Net expenses decreased 41% from the same nine month period in 1998. Decreased expenses resulted from the Company's efforts to reduce costs in areas such as contract product development services, laboratory equipment and supplies, and personnel. The increase in interest expense during the nine month period is related to the convertible debentures and from capital leases used to acquire scientific equipment.

Nine months ended December 31, 1998 (audited) compared to the nine months ended December 31, 1997 (unaudited)

The Company recorded a net loss of $8.9 million ($0.57 per share) for the nine months ended December 31, 1998 compared to a net loss of $6.3 million ($0.45 per share) (unaudited) for the nine months ended December 31, 1997.

The Company had no contract revenues earned in the nine months ended December 31, 1998 compared to $167,549 (unaudited) earned in the nine months ended December 31, 1997. Interest income decreased 49% to $136,390 in 1998 compared to 1997, due to lower average cash balances throughout the year. The Canadian dollar was weaker against the U.S. dollar at December 31, 1998 as compared to December 31, 1997, which resulted in a translation gain for the Company's U.S. cash balances.

Net research and development expenses increased 34% to $5.6 million for the nine months ended December 31, 1998. This increase primarily reflects the activities associated with the clinical trials for the Company's Velogene™ Rapid MRSA Assay, development of the Velogene™ Rapid VRE Assay and the preparation for clinical trials for the Company's GAS vaccine. The increase in net research and development expenses includes a facilities expense increase of 47% to $628,480 resulting from the Company's renewal of its lease for its main laboratory facility, an increase in payments for contract

services by 43% to $1.4 million and an increase in salary and benefits for scientific personnel by 37% to $2.6 million in 1998.

General and administrative expenses for the nine months ended December 31, 1998, increased 24% to $2.8 million as a result of an increase in staff and associated costs in support of the Company's research and development programs. For 1999, general and administrative expenses are expected to remain fairly constant, if not decrease from 1998 levels.

Depreciation and amortization expenses increased 33% to $600,745 in 1998, as a result of the acquisition of new equipment, primarily by ID Vaccine.

Interest expense increased significantly to $150,324 for 1998 as a result of capital leases entered into for the equipment acquired by ID Vaccine.

Capital expenditures decreased significantly during the nine months ended December 31, 1998 to $491,050. Expenditures were made for the acquisition of medical technology, capital equipment and acquired patent rights. In 1999, the Company does not expect significant increases in capital equipment, due to investments made in previous years.

Year ended March 31, 1998 compared to year ended March 31, 1997

The Company recorded a net loss of $9.7 million ($0.69 per share) for the year ended March 31, 1998 compared to a net loss of $5.9 million ($0.43 per share) for the year ended March 31, 1997.

Contract revenues earned in 1998 were approximately 50% of the revenues for 1997. All of the contract revenue for 1998 was earned by ID Vaccine from the development support payments related to the TB vaccine. These contractual payments were completed in September 1997. Interest income decreased 47% to $343,447 in 1998 compared to 1997, due to lower interest rates for the first part of the 1998 fiscal year and lower average cash balances throughout the year. The Canadian dollar was weaker against the U.S. dollar at March 31, 1998 as compared to March 31, 1997, which resulted in a translation gain for the Company's U.S. cash balances partially offset by the lower average U.S. dollar cash balances maintained by the Company during the year.

Net research and development expenses for the year ended March 31, 1998 increased 57% to $6.3 million. This increase reflected the activities associated with the pre-clinical evaluations and preparation for clinical trials for the Company's Velogene™ Rapid MRSA Assay, development of the Velogene™ Rapid VRE Assay and the establishment of in-house research and development capabilities at the new laboratory facility for ID Vaccine. This increase in net research and development expenses includes an increase in research and development salaries and benefits by 38% to $2.8 million and an increase in payments for contract services by 109% to $1.6 million.

General and administrative expenses for the year ended March 31, 1998 increased 21% to $3.0 million, primarily due to an increase in staff and associated costs in support of the Company's research and development programs with the new ID Vaccine facility. The Company also incurred legal, consulting and marketing costs in preparation for the market release of the Velogene™ Rapid MRSA Assay.

Depreciation and amortization expense increased significantly to $1.0 million for 1998. Of this increase, approximately $360,000 relates to the write-off of previously capitalized legal expenses incurred to obtain

patents. The balance of the increase related to the depreciation expense on new equipment, primarily at ID Vaccine.

Interest expense of $41,401 was incurred in fiscal 1998 as a result of the Company's capital leases for the equipment acquired at the new ID Vaccine facility.

Capital expenditures increased significantly during fiscal 1998. Costs for the acquisition of medical technology related to payments for the GAS and AIDS vaccines. The cost of capital assets increased due to leasehold improvements and the acquisition of laboratory equipment and furniture, fixtures and office equipment. The majority of these costs were incurred to establish the laboratory and office facility for ID Vaccine.

Liquidity And Capital Resources

Nine months ended September 30, 1999 (unaudited) compared to nine months ended September 30, 1998 (unaudited)

During the period, the Company signed purchase agreements relating to a private placement consisting of the sale of U.S. $532,000 principal amount of Convertible Secured Notes (the "Notes") and 266,000 common share purchase warrants. The Notes do not bear interest and will mature on December 31, 1999. The Notes are convertible at the option of the holders into cash or common shares based on a deemed price for the common shares of $2.90 per common share and a deemed exchange rate of U.S.$1.00 = Cdn$1.46. Each warrant entitles the holder to purchase an additional share for a period extending to June 30, 2000 at the price of $2.90 per share. The Company's cash and term deposit position at September 30, 1999 was $132,694 (unaudited).

The Company's medical technology and share capital each increased by $1,000,000 during the period as a result of the issuance of 355,872 shares to Meiogenics in accordance with the CPT asset purchase agreement.

The Company requires additional capital to fund its ongoing research and development, product development, marketing and other operating activities, as well as capital expenditures. In addition to revenues from the licensing of the Company's Velogene™ Rapid MRSA Assay and the Velogene™ Rapid VRE Assay, the Company intends to seek funds from a variety of sources, including corporate alliances, cooperative research and development agreements and other financing arrangements. In addition, the Company will likely issue securities if it determines that additional capital could be obtained under favorable conditions. However, there can be no assurance that these funds will be available on favorable terms, if at all. The Company's ability to continue as a going concern depends upon its ability to obtain additional financing. See "Risk Factors".

Nine months ended December 31, 1998 (audited) compared to the nine months ended December 31, 1997(unaudited)

The Company's cash and term deposit position decreased from $9 million on December 31, 1997 to $4.1 million on December 31, 1998. The Company's working capital also decreased from $9.5 million on December 31, 1997 to $2.9 million on December 31, 1998. These decreases relate to funding of the Company's operations and capital expenditures. The decreases were partially offset by the proceeds of the October 1998 private placement of US$4,000,000 principal amount of the Company's 6% convertible debentures due 2003. Net proceeds to the Company from this issuance were US$3,725,000.

Year ended March 31, 1998 compared to year ended March 31, 1997

During the year, the Company's cash position decreased from $11.1 million at March 31, 1997 to $6.8 million at March 31, 1998. The Company's working capital also decreased from $11.3 million at March 31, 1997 to $6.4 million at March 31, 1998. These decreases relate to funding of the Company's operations and capital expenditures.

Year 2000

The Company's State of Readiness

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000. If not addressed, the impact on operations and financial reporting may range from minor errors to significant system failures, which could affect an entity's ability to conduct normal business operations.

The Company has identified all of its critical hardware and software as being either Year 2000 compliant or in the process of being upgraded to ensure Year 2000 compliance. The Company expects such upgrades to be completed by the end of 1999. With respect to its internal systems, other than computer hardware and software, the Company believes it has identified the Year 2000 issues relating to the operation of office equipment (e.g., telephone systems, photocopiers, etc.) and also issues relating to its facilities (e.g., security systems, elevators, etc.). The Company has also communicated with many of its suppliers and service providers regarding their Year 2000 compliance efforts. Contractors and vendors of operating equipment that may be vulnerable are required to be Year 2000 compliant and the Company has included a review of these contractors and vendors in its assessment. With regard to external clinical trial sites, the Company believes its clinical partners are Year 2000 compliant, but it is not able to obtain guarantees that all clinical data is or will be Y2K compliant. Based on its ongoing assessments, the Company believes that its exposure to the Y2K issue is minimal and the cost of addressing this issue will be insignificant.

The Costs to Address the Company's Year 2000 Issues

As of September 30, 1999, the Company had spent approximately $15,000 on its Year 2000 compliance efforts. This figure includes the expense of updated software licenses and updated application versions and has been fully expensed. The total cost of attaining Year 2000 compliance is estimated to be $20,000. These costs are not expected to have a material adverse effect on the Company's business, results of operations or financial condition.

The Risks of the Company's Year 2000 Issues

Based on its compliance efforts, the Company does not anticipate any significant internal Year 2000 complications. The Company's most significant risk lies with the data collected by its clinical trial sites. The Company cannot be certain that all aspects of the Year 2000 issue affecting it, including those related to the efforts of suppliers, scientific collaborators or other third parties, will be fully resolved. As a result, the Company could be at risk of experiencing a significant number of operational inconveniences and

inefficiencies that may divert management's time and attention from its ordinary business activities. The Company would also be at risk of experiencing a lesser number of serious system failures that may require significant efforts by the Company to prevent or alleviate material business disruptions.

The Company's Contingency Plans

The Company has not established a contingency plan.

DETAILS OF THE OFFERING

Pursuant to an agency agreement dated as of October 29, 1999 (the "Agency Agreement") between the Company and Haywood Securities Inc. of Suite 1100, Commerce Place, 400 Burrard Street, Vancouver, BC V6C 3A6 (the "Agent") the Company sold to investors through the Agent acting on a best efforts basis, a total of 1,950,000 Special Warrants at the price of $2.50 per Special Warrant. The Special Warrants were issued pursuant to the terms of a special warrant indenture dated as of October 29, 1999 (the "Special Warrant Indenture") between the Company and Montreal Trust Company of Canada, as trustee (the "Trustee"). Each Special Warrant entitles the holder to receive, subject to adjustment, one common share and one-half of one Warrant without additional payment. Each whole Warrant will be issued under a warrant indenture (the "Share Purchase Warrant Indenture") dated as of October 29, 1999 between the Company and the Trustee, and will entitle the holder thereof to acquire one common share at the price of $2.75 per share, at any time and until 4:30 p.m. (Vancouver time) on October 29, 2002, subject to adjustment in accordance with the terms of the Share Purchase Warrant Indenture. The common shares issuable upon exercise of the Warrants are referred to as the "Warrant Shares".

The gross proceeds from the issue and sale of the Special Warrants were $4,875,000 and an aggregate fee of $390,000 was paid to the Agent in connection with the issue and sale of the Special Warrants. The expenses of the issue, estimated at approximately $120,000 will be paid by the Company from the proceeds of the offering.

As additional consideration for the services of the Agent under the Agency Agreement, the Company also granted to the Agent on October 29, 1999, 195,000 Agent's Special Warrants. Each Agent's Special Warrant is exercisable at any time into one common share purchase warrant (the "Agent's Warrants") at any time on or before 4:30 p.m. (Vancouver time) (the "Time of Expiry") on the Expiry Date (as defined below). If any of the Agent's Special Warrants are outstanding at the Time of Expiry they will be deemed to be exercised immediately prior to the Time of Expiry without any further action on the part of the Agent. Each Agent's Warrant entitles the holder thereof to acquire one fully paid common share of the Company at any time commencing on the issuance thereof and continuing up to 4:30 p.m. (Vancouver time) on October 29, 2001, upon payment of $2.75 per share.

Each Special Warrant is exercisable at any time from the date of issue until 4:30 p.m. (Vancouver time) on the date (the "Expiry Date") that is the earlier of:

(a) three business days after the last receipt for a final prospectus qualifying the distribution of the Common Shares and Warrants is issued; and

(b) October 29, 2000.

Any Special Warrants not exercised prior to 4:30 p.m. (Vancouver time) on the Expiry Date shall be deemed to have been exercised by the holder immediately prior thereto without any further action on the part of the holder.

The proceeds of the issue of the Special Warrants were advanced to the Company on October 29, 1999 and, upon receipt, were available for the immediate use of the Company. The Special Warrants are not retractable, and the holders thereof are not entitled to the return of any of their subscription price therefor, except as may be required by applicable securities laws.

The Special Warrant Indenture provides that if a receipt for a final prospectus is not issued on or before January 27, 2000 (the "Qualification Deadline"), the number of Common Shares that would otherwise be issuable upon exercise of each Special Warrant then outstanding will be increased, such that after giving effect to the increase, each Special Warrant will be exercisable to acquire one-half of one Warrant together with 1.075 Common Shares.

The Special Warrants were issued pursuant to exemptions from prospectus requirements of applicable securities legislation. The Common Shares and Warrants to be issued upon the exercise or deemed exercise of Special Warrants after the issuance of receipts for this prospectus will be qualified by this prospectus. Any Common Shares and Warrants issued upon the exercise or deemed exercise of Special Warrants prior to the time at which a receipt is issued for this prospectus will be subject to hold periods under applicable securities legislation.

The Special Warrants, the Common Shares and Warrants issuable upon exercise of the Special Warrants and the Warrant Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "US Securities Act") and such securities may not be offered or sold to a person in the United Sates unless an exemption from the registration requirements of the US Securities Act is available. Until 40 days after commencement of the distribution of the Common Shares and Warrants pursuant to this prospectus, an offer or sale of such securities within the United Sates by any dealer (whether or not participating in the offering) may violate the registration requirements of the US Securities Act.

This prospectus also qualifies the distribution of the Agent's Warrants upon the exercise of the Agent's Special Warrants.

DESCRIPTION OF SHARE CAPITAL

The Company's authorized capital consists of 200,000,000 common shares without par value, 100,000,000 Class "A" Preference Shares with a par value of $10 each and 100,000,000 Class "B" Preference Shares with a par value of $50 each, of which 16,951,655 common shares were issued and outstanding as of January 21, 2000. No Class "A" Preference Shares or Class "B" Preference Shares have been issued.

Common Shares

Holders of common shares are entitled to one vote per common share on all matters that may be brought before them. Holders of the common shares are, subject to the rights of holders of preference shares, entitled to receive dividends when declared by the Board of Directors and to receive a *pro rata* share of the assets of the Company available for distribution to shareholders in the event of liquidation or winding up. There are no redemption, conversion or pre-emptive rights attached to the common shares.

Preference Shares

The Class "A" Preference Shares and Class "B" Preferences Shares may, from time to time, be issued in one or more series, and the Board of Directors is authorized to create and attach special rights and restrictions to a series of shares. In the event of a liquidation, dissolution or winding up of ID Biomedical, or any distribution of its assets for the purpose of winding-up its affairs, holders of preference shares are entitled, unless otherwise provided in the special rights and restrictions attached to the shares, after the payment of unpaid dividends, to be paid the amount of capital paid up per share from ID Biomedical's assets before the holders of common shares receive any assets. All Class "A" Preference shares and Class "B" Preference shares rank equally as to dividends or return of capital on winding up or otherwise. The holders of Class "A" Preference shares and Class "B" Preference shares are not entitled to vote at any general meeting of shareholders unless expressly provided as a special right.

Shareholder Rights Plan

The Company adopted a shareholder rights plan effective May 1, 1996. Rights issued under the plan become exercisable only when a person acquires 20% or more of the Company's outstanding common shares without complying with the "permitted bid" provision of the plan or without the approval of the Company's Board of Directors. To be a permitted bid, a bid must be open for not less than 60 days and at least 50% of the outstanding common shares held by shareholders other than the acquiring person must be tendered into the bid. One right will be issued for each common share outstanding on May 31, 1996 and prior to an event qualifying rights issued under the plan for exercise. Each right entitles the holder to purchase common shares at a 50% discount to the market price at the time. The number of common shares a holder can purchase for each right held is that number determined by dividing the exercise price of $150 by one-half of the market price per share at the time. Shareholder approval was received at the Company's June 25, 1999 Annual General Meeting to extend the plan for a three year period until May 1, 2002.

USE OF PROCEEDS

The Company will not receive any additional consideration from the issuance of Common Shares and Warrants upon the exercise or deemed exercise of Special Warrants. The net cash proceeds from the sale of the Special Warrants will be approximately $4,365,000 after deduction of the estimated expenses of the offering. The cash proceeds have been received by the Company. The Company expects to use these proceeds as follows:

Use of Cash Proceeds	
Research and development	$2,360,000
Repayment of convertible secured notes[(1)]	$321,200
General and corporate purposes	$1,683,800
Total	$4,365,000

(1) The Convertible Secured Notes were convertible into cash or shares at the option of the holder (see "Liquidity and Capital Resources") on January 14, 2000. Pursuant to elections may by the holders

thereof, the Company paid $321,200 in cash to such holders (or U.S.$220,000 at a deemed conversion rate of U.S.$1.00 = Cdn.$1.46).

CONSOLIDATED CAPITALIZATION

The following table describes the consolidated capitalization of the Company as at the dates indicated. This table should be read in conjunction with the consolidated financial statements and related notes thereto appearing elsewhere in this prospectus.

	Number Authorized	Amount Outstanding as at December 31, 1999	Amount Outstanding as at December 31, 1999 after giving effort to this Offering[1]
Shareholders Equity			
Common Shares[2],[4]	200 million	$43,072,607 (16,575,581 shares)	$47,437,607 (18,525,581 shares)
Equity Component of Convertible Special Warrants		3,828,127	3,828,127
Class "A" Preference Shares	100 million	Nil	Nil
Class "B" Preference Shares	100 million	Nil	Nil
Deficit[3]		$41,512,036	$41,512,036
Total Shareholders' Equity		$5,388,698	$9,753,698
Loan Payable		$2,300,180	$2,300,180
Total Capitalization		$7,688,878	$12,053,878

(1) Assumes that each Special Warrant is exercised for one Common Share and that no Warrants have yet been exercised.

(2) 1,561,500 common shares are reserved for issuance upon the exercise of outstanding options and 2,091,000 common shares are reserved for issuance pursuant to the exercise of outstanding warrants. See "Options to Purchase Securities".

(3) Does not reflect results of operations for the three months ended December 31, 1999.

(4) Included in common shares outstanding at December 31, 1999 are 26,247 shares held in escrow under an escrow agreement.

PRIOR SALES

The following table contains details of the sales of common shares by the Company since January 1, 1999:

Date of Issuance	Shares	Price per Share	Aggregate Proceeds
January 5, 1999[1]	4,616	n/a	Nil
January 12, 1999[2]	204	n/a	Nil
January 20, 1999[3]	45,814	n/a	Nil
January 29, 1999[3]	41,574	n/a	Nil
February 8, 1999[5]	15,000	$4.25	$63,750
March 31, 1999[2]	28,833	n/a	Nil

Date of Issuance	Shares	Price per Share	Aggregate Proceeds
April 5, 1999[1]	6,043	n/a	Nil
April 13, 1999[3]	53,453	n/a	Nil
April 13, 1999[2]	116	n/a	Nil
June 30, 1999[2]	33,403	n/a	Nil
July 6, 1999[1]	9,375	n/a	Nil
July 14, 1999[3]	64,725	n/a	Nil
July 15, 1999[3]	179,490	n/a	Nil
September 8, 1999[4]	355,872	n/a	Nil
September 30, 1999[2]	26,366	n/a	Nil
September 30, 1999[2]	2,799	n/a	Nil
October 1, 1999[1]	9,121	n/a	Nil
December 3, 1999[3]	84,019	n/a	Nil
January 4, 2000[2]	24,473	n/a	Nil
January 5, 2000[1]	5,992	n/a	Nil
January 14, 2000[6]	157,072	n/a	Nil
January 14, 2000[7]	3,300	$3.20	$10,560
January 14, 2000[3]	48,678	n/a	Nil
January 19, 2000[7]	3,000	$3.20	$9,600
January 19, 2000[3]	133,559	n/a	Nil

Note:
(1) Common shares issued pursuant to Directors' Fee Payment Plan (no proceeds received).
(2) Common shares issued in payment of interest on outstanding convertible debenture (no proceeds received).
(3) Common shares issued pursuant to conversion of outstanding convertible debenture (no proceeds received).
(4) Common shares issued pursuant to Meiogenics Agreement (no proceeds received). See "Gene Based Testing - License and Acquisition Agreements - Meiogenics Agreement".
(5) Common shares issued upon exercise of previously issued warrants.
(6) Common shares issued upon exercise of previously issued convertible secured notes (no proceeds received).
(7) Common shares issued upon exercise of stock options.

PRICE RANGE AND TRADING VOLUME OF COMMON SHARES

The Company's common shares are traded on The Toronto Stock Exchange in Canada under the symbol "IDB", on the Nasdaq SmallCap Market in the United States under the symbol "IDBE" and on the Berlin Stock Exchange in Germany under the symbol "IDB".

The common shares commenced trading on the TSE on October 24, 1995 and the common shares commenced trading through NASDAQ on August 3, 1993.

The following table sets forth the reported high and low prices and trading volume of the outstanding common shares on The Toronto Stock Exchange for the periods indicated:

	Period	High ($)	Low ($)	Volume
1997	Fourth Quarter	4.40	3.00	1,350,940
1998	First Quarter	6.00	3.25	1,969,256

	Period	High ($)	Low ($)	Volume
	Second Quarter	7.25	5.00	1,023,170
	Third Quarter	6.05	3.75	815,951
	Fourth Quarter	4.25	3.00	685,135
1999	First Quarter	4.70	3.18	595,017
	Second Quarter	3.90	2.60	547,183
	July	3.70	2.40	451,235
	August	3.30	2.60	141,961
	September	3.63	2.90	155,700
	October	3.29	2.52	552,400
	November	2.65	1.77	236,900
	December	3.95	2.01	449,899
2000	January 1-20	6.60	2.70	659,700

The following table sets forth the reported high and low prices (in U.S. dollars) and trading volume of the outstanding common shares on the Nasdaq SmallCap Market for the periods indicated:

	Period	High ($)	Low ($)	Volume
1997	Fourth Quarter	3.00	2.13	3,313,934
1998	First Quarter	4.25	2.13	3,662,531
	Second Quarter	5.06	3.63	3,125,931
	Third Quarter	4.19	2.50	3,074,613
	Fourth Quarter	2.75	1.88	2,845,639
1999	First Quarter	3.13	2.06	3,175,722
	Second Quarter	2.63	1.69	2,538,032
	July	2.50	1.63	1,610,580
	August	2.13	1.75	588,489
	September	2.38	2.00	903,018
	October	2.25	1.72	1,068,298
	November	1.88	1.19	1,356,281
	December	2.81	1.31	2,307,800
2000	January 1-20	4.63	1.88	2,221,700

PRINCIPAL HOLDERS OF SECURITIES

To the knowledge of the directors and senior officers of the Company, no single shareholder beneficially owns, directly or indirectly, or exercises control or direction over securities carrying more than 10% of the voting rights attached to any class of voting securities of the Company. There are no arrangements known to us, the operation of which may at a subsequent date result in a change of control of the Company. Upon exercise or deemed exercise of the Special Warrants, the directors and officers of the Company will own beneficially, directly or indirectly, 14.3% (fully diluted) of the Common Shares.

DIRECTORS AND OFFICERS

The following table shows the full name, municipality of residence, position with the Company and principal occupations of each of the directors and officers of the Company (and the President of ID Vaccine).

Name and Municipality of Residence	Position with Company	Principal Occupation
Dr. Richard Bastiani[(1)]	Chairman of Board of Directors	Retired; Formerly President of Dendreon Corp. (biotechnology company)
Dr. Anthony F. Holler	President and Director	President of IDB
Daniel A. Carriere	Director	President of Carriere Financial Services Inc. (venture capital company)
Frank A. Holler	Director	President of Xenon Bioresearch Inc. (biotechnology company)
Richard McCoy	Director	Vice Chairman, Investment Banking, TD Securities Inc. (investment dealer)
Richard J. Murphy	Director	Retired; Formerly Senior Vice-President, Hoffmann-LaRoche Inc. (pharmaceutical and diagnostics company)
Jon S. Saxe[(1)]	Director	Retired; Formerly President, Protein Design Labs, Inc. (biopharmaceutical company)
Brian J. Underdown	Director	Vice President, MDS Capital Corporation and President, University Medical Discoveries Inc.
Ian A. Webb	Director	Partner, Ladner Downs (law firm)
Todd R. Patrick	Chief Operating Officer, Chief Financial Officer	Chief Operating Officer, Chief Financial Officer, ID Biomedical Corporation; President, ID Vaccine Corporation
Dr. Robert N. Bryan	Vice President, Research & Development	Vice President, Research & Development
Deborah L. Bowers	Corporate Secretary	Corporate Secretary

Note: (1) Member of the audit committee of the board of directors

Dr. Richard Bastiani has served as a director of the Company since October 1996 and was appointed Chairman of the Board in August 1998. From September 1995 to September 1998, Dr. Bastiani was

President of Dendreon Corp. (formerly Activated Cell Therapy, Inc.), a Mountain View, California biotechnology company focused on the development of innovative cancer therapies.

Dr. Anthony F. Holler has served as President of the Company since October 29, 1998 and was Executive Vice President since September 14, 1998. Prior to that, he was Vice President, Corporate & Clinical Affairs since July 1997 and prior to that he was Medical Director of the Company, a position he held since 1991 when he co-founded the Company. Dr. Holler has also served as a director of the Company since 1991. From 1981 to 1994, Dr. Holler was an emergency physician at University Hospital at the University of British Columbia and a clinical instructor in the school's Faculty of Medicine.

Daniel A. Carriere has served as a director of the Company since August 1998. Mr. Carriere has been a significant shareholder of the Company since its initial public offering in 1991. Since May 12, 1992, Mr. Carriere has been President of Carriere Financial Services Inc., a Canadian firm specializing in growth and financial strategies for small to medium capitalized companies.

Frank A. Holler is a co-founder of the Company and was President and Chief Executive Officer of the Company between September 1991 and October 1998. From 1988 to 1990, Mr. Holler was an investment banker with Merrill Lynch Canada, Inc. where he held the title of Vice President in the Corporate and Government Finance Department.

Richard McCoy has served as a director of the Company since September 13, 1999. Mr. McCoy is currently Vice Chairman, Investment Banking at TD Securities Inc., one of Canada's largest investment firms. Prior to joining TD Securities Inc. in May, 1997, Mr. McCoy was Deputy Chairman of CIBC Wood Gundy from 1978 to 1997.

Richard J. Murphy has served as a director of the Company since 1994. From 1966 to 1994, Mr. Murphy worked for Hoffmann-La Roche, Inc.

Jon S. Saxe has served as a director of the Company since 1993. Mr. Saxe is President and a director of Protein Design Labs, Inc. Prior to 1993, he was President of Synergen, Inc.

Brian J. Underdown has served as a director of the Company since September 13, 1999. Dr. Underdown is Vice President (Science and Technology), MDS Capital Corporation and President, University Medical Discoveries Inc. Prior to joining MDS Capital Corporation in 1997, Dr. Underdown was Assistant Vice President Research and Director of Immunology at Pasteur Mérieux Connaught. From 1970 to 1994, Dr. Underdown held a number of academic positions including Professor and Associate Dean Research at the Faculty of Medicine, University of Toronto and Professor, Department of Pathology and Associate Dean Research at the Faculty of Health Sciences, McMaster University.

Ian A. Webb has served as a director of the Company since July 1997. Mr. Webb joined the law firm of Ladner Downs in 1981 and became a partner in 1988.

Todd R. Patrick has served as Chief Operating Officer and Chief Financial Officer of the Company since October 29, 1998. Prior to that, he was Executive Vice President of the Company. In 1994, Mr. Patrick was appointed Vice President, Business Development of ID Vaccine Corporation. In 1995, he was appointed President of ID Vaccine Corporation, a position he currently holds. Prior to joining ID Vaccine, Mr. Patrick was Director of the UCLA Office of Intellectual Property.

Dr. Robert Bryan has served as Vice President, Research and Development of the Company since September 1995. Prior to joining the Company in 1995, he held management positions with Genta Inc.

Deborah L. Bowers has served as Corporate Secretary of the Company since January 1999. During her tenure at the Company, Ms. Bowers has held the positions of Assistant Corporate Secretary (1998-1999) and Executive Assistant - Legal (1997 to 1998). Before joining ID Biomedical in 1997, she held various positions in the corporate and securities industry.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth information concerning the total compensation of the Named Executive Officers during the Company's nine months ending December 31, 1998 and three most recently completed financial years ending March 31.

		Annual Compensation			Long-Term Compensation Awards			
Name and Principal Position	**Year**	**Salary ($)**	**Bonus ($)**	**Other Annual Compensation ($)**	**Securities Under Options Granted (#)**	**Restricted Shares or Restricted Share Units ($)**	**LTIP Payouts ($)**	**All Other Compensation ($)**
Dr. Anthony F. Holler[2]	1998[3]	108,542	-	-	58,500	-	-	-
President	1998[4]	135,000	-	-	141,500	-	-	-
	1997	135,000	-	-	-	-	-	-
	1996	123,750	-	-	100,000	-	-	-
Todd R. Patrick[1]	1998[3]	152,981	-	-	175,000	-	-	-
Chief Operating Officer	1998[4]	170,106	-	-	-	-	-	-
and President, ID	1997		156,880	-	-	25,000	-	-
Vaccine Corporation								
Dr. Robert N. Bryan	1998[3]	115,417	-	-	125,000	-	-	-
Vice President, Research	1998[4]	150,000	-	2,600	-	-	-	-
& Development	1997	137,808	19,200	2,600	25,000	-	-	-
	1996[5]	-	-	-	-	-	-	-

(1) Todd R. Patrick was appointed Chief Operating Officer of the Company October 29, 1998 and is also President of ID Vaccine Corporation.
(2) Dr. Anthony F. Holler was appointed President of the Company effective October 31, 1998.
(3) Nine month period from March 31, 1998 to December 31, 1998 due to year end change.
(4) Fiscal year ended March 31, 1998.

(5) Dr. Bryan commenced work for the Company on September 20, 1995 and received less than 100,000 in compensation during the financial year ended March 31, 1996.

Aggregated Option Exercises During The Most Recently Completed Financial Year and Financial Year-End Option Values

The following table sets forth information concerning the exercise of options during the nine month period ended December 31, 1998, and the value at December 31, 1998 of unexercised in-the-money options held by the Named Executive Officers. No Stock Appreciation Rights are outstanding:

	Securities Acquired on Exercise (#)	Aggregate Value Realized ($)	Unexercised Options at Financial Year-End (#) Exercisable/ Unexercisable	Value of Unexercised in-the-Money Options at Financial Year-End ($) Exercisable/ Unexercisable
Todd R. Patrick	-	-	83,333/116,667	Nil
Dr. Anthony F. Holler	-	-	78,100/121,900	Nil
Dr. Robert N. Bryan	-	-	66,666/83,334	Nil

Termination of Employment, Change of Responsibilities and Employment Contracts

Frank A. Holler resigned as President of the Company on October 31, 1998. Mr. Holler continues to serve as a director of the Company. Pursuant to an agreement between Mr. Holler and the Company, Mr. Holler was paid a total of $162,500 over the 10 months following October 31, 1998.

The Company has entered into an employment agreement with Todd R. Patrick, the President of ID Vaccine. Under the agreement, Mr. Patrick is responsible for managing the development and commercialization of ID Vaccine's products and technologies. In the event of termination, other than for cause, the agreement provides for four weeks notice, or payment in lieu of such notice, for the first three years of employment, after which Mr. Patrick is entitled to an additional one week notice, or payment in lieu of such notice, for each additional year of employment up to a maximum of eight weeks notice, or payment in lieu of such notice.

Pursuant to an escrow agreement, dated as of January 13, 1995, between the Company, Todd R. Patrick and Montreal Trust Company of Canada ("Montreal Trust"), 162,144 common shares beneficially owned by Mr. Patrick were deposited in escrow with Montreal Trust. Under the terms of the agreement, common shares have been released to Mr. Patrick as follows:

- 54,825 common shares were released on October 5, 1995;
- 27,411 common shares were released on January 2, 1996;
- 13,125 common shares were released on February 7, 1996;
- 26,436 common shares were released on January 1, 1997; and
- 14,100 common shares were released on May 11, 1998.

As of November 23, 1999, 26,247 common shares were held in escrow by Montreal Trust. See "Indebtedness of Directors and Officers".

Compensation of Directors

Directors may receive compensation in the form of incentive stock options for serving as directors of the Company at the discretion of the Board of Directors. In the most recently completed financial year, directors were granted stock options as follows:

Name	Number of Shares Under Option	Exercise Price	Date of Grant	Expiry Date
Richard Bastiani	25,000	4.95	August 24, 1998	August 24, 2001
Richard Murphy	10,000	4.95	August 24, 1998	August 24, 2001
Jon Saxe	25,000	4.95	August 24, 1998	August 24, 2001
Ian Webb	50,000	4.95	August 24, 1998	August 24, 2001
Daniel Carriere	50,000	4.95	August 24, 1998	August 24, 2001

On April 12, 1996 the Board of Directors approved new compensation arrangements for directors. These new compensation arrangements reflect structures proposed by the corporate governance guidelines of The Toronto Stock Exchange. The Company has deemed it to be in its best interest to enter into Director Compensation Agreements with each of its non-management directors, namely, Dr. Richard Bastiani, Daniel A. Carriere, Richard J. Murphy, Jon S. Saxe and Ian A. Webb. Under the agreements, each non-management director will receive $12,000 per year, paid in quarterly instalments of $3,000, incentive stock options as determined appropriate by the Compensation Committee of the Company, meeting fees of $750 for each meeting attended and an additional fee of $750 per meeting attended by a director resident outside of the Greater Vancouver area and reimbursement of all reasonable business expenses incurred in connection with attending to Board matters.

The Company has also instituted a Directors' Fee Payment Plan (the "Plan"). Under the terms of the Plan, each director is permitted to elect to receive his or her director's fees in either cash or common shares. The common shares can be issued only to a director or his or her personal holding company and will be issued at market price at the time of issuance. The total number of common shares issued pursuant to the Plan is fixed by shareholders from time to time. In addition, the total number of common shares issued in any one year to insiders of the Company under the Plan and the Stock Option Plan combined cannot exceed 10% of the outstanding common shares, and no one individual may receive more than 5% of the outstanding common shares under these two plans in any one year.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

None of the directors, executive officers or senior officers of the Company, no proposed nominee for election as a director of the Company, and no associates or affiliates of any of the foregoing was indebted to the Company at any time since the beginning of the nine month period ended December 31, 1998, except for Todd R. Patrick who is indebted to the Company in the amount of US$39,371 for payment of taxes that the Company was required to withhold relating to the release of common shares from escrow. The largest amount of the indebtedness outstanding during such period was US$238,974. No interest is being charged by the Company. The amount outstanding is secured by 26,247 common shares held by Montreal Trust until the amounts are repaid in full.

OPTIONS TO PURCHASE SECURITIES FROM THE COMPANY OR SUBSIDIARIES

The following tables set out information with respect to share purchase options granted by the Company, but not yet exercised, at January 21, 2000:

Holder	Common Shares under Option	Exercise Price per Common Share	Expiry Date
One employee	7,500	$6.30	21-Jan-03
Two employees	5,000	$2.16	13-Dec-02
One director	40,000	2.35	22-Nov-02
Two officers	50,000	2.52	5-Nov-02
One director	50,000	2.60	26-Oct-02
One employee	7,500	2.60	26-Oct-02
Two directors	150,000	3.41	14-Sep-02
One director	40,000	3.30	13-Sep-02
Six employees	100,000	3.30	13-Sep-02
One employee	40,000	2.80	22-Jun-02
Eight employees	65,000	3.60	17-Mar-02
One officer	10,000	3.60	17-Mar-02
One officer	25,000	4.40	3-Feb-02
One employee	50,000	3.80	13-Jan-02
One employee	6,700	3.20	7-Dec-01
One officer	7,000	3.20	7-Dec-01
One employee	20,000	3.50	2-Nov-01
One officer	75,000	3.40	8-Oct-01
Six directors	200,000	4.95	24-Aug-01
One employee	50,000	4.95	24-Aug-01
Two officers	200,000	4.95	24-Aug-01
One director	18,500	5.30	20-Apr-01
One director	106,500	5.30	27-Mar-01
One employee	12,500	3.95	19-Nov-00
One employee	12,500	4.00	3-Nov-00
One officer	7,500	4.20	11-Aug-00
One employee	11,000	4.75	15-Jul-00
One employee	39,000	5.10	17-Jun-00
One director	35,000	5.15	4-Jun-00
One employee	20,000	4.40	20-May-00
One employee	7,500	5.15	25-Mar-00
One employee	20,000	5.55	19-Feb-00
Total:	**1,488,700**		

The following tables set out information with respect to share purchase options granted by ID Vaccine, but not yet exercised, at December 3, 1999:

Holder	IDV Common Share under Options	Number of Special Rights	Exercise Price per Common Share	Expiry Date
Todd Patrick	250,000	257,888	0.01	October 6, 2002
Nine employees	142,000	146,480	0.01	January 29, 2002

See “Subsidiary Stock Option Plan”.

Stock Option Plan

The Company has established a Stock Option Plan (the "Option Plan") for directors, officers, employees and service providers of the Company and its subsidiaries. The Option Plan provides that the directors of the Company may grant options to purchase common shares to eligible persons on terms that the directors may determine within the limitations set out in the Option Plan. The total number of common shares reserved for issue under the Option Plan cannot exceed 2,331,046 common shares. The exercise price for an option issued under the Option Plan cannot be less than the closing market price of the common shares on a Canadian stock exchange on which the common shares are listed on the last trading day before the date on which the option is granted.

The expiry date of each option is set by the directors at the time of the grant and cannot be later than the tenth anniversary of the date it was granted. An option granted under the Option Plan may expire on an earlier date if the optionholder ceases to be a director of, or regularly employed by, the Company or its subsidiaries. Options granted to the Company's senior officers and directors vest based on the price performance of the Company's common shares relative to The Toronto Stock Exchange 300 Index. For options granted to others, vesting occurs solely as a function of time.

At December 3, 1999, the Company had outstanding options to purchase 1,556,500 common shares.

Subsidiary Stock Option Plan

ID Vaccine has established a combined incentive and non-qualified stock option plan under which up to 325,000 shares of common stock were reserved for issuance upon exercise of options granted under the plan. On May 10, 1996, the plan was amended and restated in its entirety to increase the number of shares reserved for issuance upon exercise of options granted under the plan to 350,000. On October 29, 1997, the common stock of ID Vaccine was split 2-for-1 and on December 2, 1997, the plan was amended and restated in its entirety to increase to the number of shares reserved for issuance upon exercise of options granted under the plan to 700,000.

On June 25, 1999, the Company’s shareholders approved the acquisition by the Company of all of the outstanding options granted under ID Vaccine's stock option plan in return for 404,368 special rights to acquire common shares of the Company. Each ID Vaccine option will be exchanged for 1.03155 special rights (the “Special Rights”). The Special Rights will be exercisable at the price of $0.01 per common share and will vest over a period of two years.

The Special Rights have the following characteristics:

(a) they are exercisable at the price of Cdn. $0.01 per common share;

(b) they will vest as follows:

(i) 1/3 of such options will vest on the date of issuance, subject to a voluntary pooling arrangement for the first six months from the date of issuance,

(ii) a further 1/3 will vest on the first anniversary of the date of issuance, and

(iii) the final 1/3 will vest on the second anniversary of the date of issuance; and

(c) the Special Rights will have standard adjustment provisions and standard provisions relating to cancellation of the Special Rights in the event an employee leaves the employment of ID Vaccine prior to the exercise of the Special Rights.

RISK FACTORS

The Company May Not Be Able To Continue As A Going Concern Unless It Obtains Additional Financing

The Company requires substantial additional funds for further research and development, planned clinical studies, regulatory approvals, establishment of pilot-scale manufacturing capabilities and, possibly, the marketing of its products. The Company believes that its revenues and other sources of liquidity will provide adequate funding for its operations and capital requirements until approximately April 2000. If additional financing is not available prior to that time, the Company will have to substantially reduce or cease its operations. The Company will seek to obtain additional funds through public or private equity or debt financing, collaborative agreements with senior companies or from other sources. Additional funding may not be available to the Company on favorable terms, or at all. Furthermore, any additional equity financing may be dilutive to shareholders, and debt financing, if available, may involve restrictive covenants, including restrictions on further indebtedness, restrictions on liens and restrictions on merger, consolidation or sale of assets. Collaborative agreements will likely require the Company to relinquish rights to its technologies or products. There can be no assurance that the Company will be able to raise additional capital if its capital resources are exhausted.

The Company Has Incurred Losses Since Its Inception And May Continue To Incur Substantial Losses

The Company has incurred losses since its inception in 1991. For the fiscal year ended March 31, 1998 the Company incurred a net loss of $9.68 million. For the nine months ended December 31, 1998, the Company incurred a net loss of $8.89 million. For the nine months ended September 30, 1999, the Company incurred a net loss of $5.26 million. As of September 30, 1999, the Company's accumulated deficit was $41 million. The Company has not yet begun to market or generate revenues from the commercialization of its products, most of which require significant additional investment in research and development and clinical studies before their development can be completed. The Company expects to incur substantial losses unless strategic alliance payments, product sales and royalty payments generate sufficient revenues to fund it continuing operations. The Company does not expect strategic alliance payments, product sales and royalty payments to generate a profit for at least the next few years. There can be no assurance that the Company will be able to increase revenues or achieve profitable operations.

The Company's Success Depends On Collaborative Partners, Licensees And Other Third Parties Over Whom It Has Limited Control

The Company's strategy is to enter into various arrangements with corporate and academic collaborators, licensors, licensees and others for the research, development, clinical testing, manufacturing, marketing and commercialization of its products. The Company acquires rights to intellectual property which it further develops to increase its value and then licenses or sublicenses the property. The Company's partners then assume the obligation to manufacture, market and distribute the resulting products. Consequently, the Company's success depends upon its partners' abilities to perform these tasks. These arrangements are expected to reduce development risk and enable the Company to earn licensing revenues. There can be no assurance that the Company will be able to establish necessary arrangements on favorable terms, or at all, or that current or future collaborative agreements will be successful.

The Company's dependence on collaborative agreements with third parties subjects it to a number of risks. The Company's business could be adversely affected if any collaborative partner breaches its agreement with the Company or fails to develop or commercialize successfully any product to which it has rights, or any of its products to which the Company has rights. In addition, these collaborations may not be continued or result in successfully marketable products. Failure of a collaborative partner to continue funding any particular program could delay or halt development or commercialization of any products arising out of that program. If the Company is not able to establish further collaborative arrangements or any or all of its existing collaborative arrangements are terminated, the Company may have to seek new collaborative arrangements or undertake product development and commercialization at its own expense. Such an undertaking may:

- limit the number of products that the Company is able to develop and commercialize;
- reduce the likelihood of successful product introduction;
- significantly increase the Company's capital requirements; and
- place additional strain on management's time.

Collaborative partners could also pursue alternative technologies or develop alternative products, either on their own or with others, including the Company's competitors, as a means for developing products that compete with the Company's products. Disputes may arise with respect to the ownership of rights to any technology or products developed with any current or future collaborative partner. Lengthy negotiations with potential new collaborative partners or disagreements between the Company and its current collaborative partners may lead to delays or termination in the research, development or commercialization of the Company's products or result in time consuming and expensive litigation or arbitration.

The Company currently hold licenses for the following technologies:

- exclusive sublicense from Integrated DNA Technologies covering know-how, technology and several issued patents and patent applications relating to CPT;

- exclusive license from the regents of the University of California covering know-how, technology and several issued patents and patent applications for the development of a vaccine against Mycobacterium tuberculosis;

- exclusive license from the University of Tennessee Research Corporation covering know-how, technology and several issued patents and patent applications relating to the development of a vaccines against Group A streptococcus:

These licenses are important because they enable the Company to focus its limited resources on technologies that are most likely expected to produce results in the near term, rather than undertaking expensive and time-consuming basic research that could lead to entirely new technologies. There can be no assurance that these licenses will not terminate or that they will be renewed. The Company may also acquire additional licenses to technologies developed by other companies or academic institutions. Pursuant to the terms of any current or additional license agreements to be negotiated, the Company is or may be required to exercise diligence in bringing products to market and to make milestone payments that, in some instances, could be substantial. For example, on September 8, 1999, the Company paid a total of CDN$1 million in common shares to Meiogenics Technology Management Corp. and its affiliates as a result of the Company obtaining FDA approval to begin marketing the Velogene™ Rapid MRSA Identification Assay. The Company may also be obligated to make royalty payments on the net sales, if any, of products resulting from its licensed technology and, in some instances, could be responsible for the costs of filing and prosecuting patent applications.

The Company's Success Depends On Its Ability To Protect Its Proprietary Rights And Operate Without Infringing Upon The Proprietary Rights Of Others

The Company tries to protect the technology that it considers important to the development of its business by filing United States and selected foreign patent applications. The Company also relies upon trade secrets, unpatented know-how, continuing technology innovation and the pursuit of licensing opportunities to develop and maintain its competitive position. The Company holds title to, or has licenced (or is in the process of licensing), 13 patents, has 13 patents pending in the United States and has corresponding patents or applications filed in many countries throughout the world. The patent or patent applications are directed to the Company's Velogene™ products, its vaccine candidate for the prevention of tuberculosis, its vaccine candidate against group A streptococcus, its E. coli vaccine candidate and a vaccine candidate against AIDS.

The patent position of biopharmaceutical and biotechnology firms, including the Company, is generally uncertain and involves complex legal and factual questions. The Company does not know whether any of its current or future patent applications will result in the issuance of any patents. Even if patents are issued, they may be challenged, invalidated or circumvented. Patents may not provide a competitive advantage or afford protection against competitors with similar technology. Competitors or potential competitors may have filed applications for, or may have received patents and may obtain additional and proprietary rights to, compounds or processes used by or competitive with those of the Company. In addition, the laws of certain foreign countries do not protect intellectual property rights to the same extent as do the laws of the United States or Canada.

Patent litigation is becoming widespread in the biotechnology industry and the Company cannot predict how this will affect its efforts to form strategic alliances, conduct clinical testing or manufacture and market any products under development. If challenged, the Company's patents may not be held valid. The Company may also become involved in interference proceedings in connection with one or more of its patents or patent applications to determine priority of invention. If the Company becomes involved in any litigation, interference or other administrative proceedings, it will incur substantial expenses and the efforts of its technical and management personnel will be significantly diverted. In addition, an adverse

determination could subject the Company to significant liabilities or require it to seek licenses that may not be available on favorable terms, if at all. The Company may be restricted or prevented from manufacturing and selling its products in the event of an adverse determination in a judicial or administrative proceeding or if it fails to obtain necessary licenses.

The Company's commercial success also depends significantly on its ability to operate without infringing the patents and other proprietary rights of third parties. However, patent applications are, in many cases, maintained in secrecy until patents are issued. The publication of discoveries in the scientific or patent literature frequently occurs substantially later than the date on which the underlying discoveries were made and patents applied for. In the event of infringement or violation, the Company may be prevented from pursuing product development or commercialization.

The Company is aware of a patent issued in the United States relating to thermostable RNase H. Although a thermostable RNase H enzyme is used in some applications of the Company's DNA probe-based diagnostic system, the Company has information that indicates that the issued patent may be invalid. The Company does not believe that this patent, if valid, will adversely affect its ability to market and sell its products. The patent has been issued in the United States only and the Company is not aware of any related patent applications in other jurisdictions.

In addition to patents, the Company relies on trade secrets and proprietary know-how. The Company generally requires its employees, consultants, outside scientific collaborators and sponsored researchers and other advisors to enter into confidentiality agreements (which include, in the case of employees, non-competition provisions). These agreements provide that all confidential information developed or made known to the individual during the course of the individual's relationship with the Company is to be kept confidential and not disclosed to third parties except in specific circumstances. In the case of its employees, the agreements provide that all of the technology which is conceived by the individual during the course of employment with the Company is the exclusive property of the Company. These agreements may not provide meaningful protection or adequate remedies in the event of unauthorized use or disclosure of the Company's proprietary information. In addition, it is possible that third parties could independently develop proprietary information and techniques substantially similar to the Company's or gain access to the Company's trade secrets.

The Company May Not Be Able To Obtain Regulatory Approvals That Are Necessary To Commercialize Its Products

The manufacture and sale of medical devices and human therapeutic products in the United States and Canada is governed by a variety of statutes and regulations in both countries. These laws govern the development, testing, manufacture, safety, efficacy, record-keeping, labeling, storage, approval, advertising, promotion, sale and distribution of biopharmaceutical products. If the Company's products are marketed abroad, they are also subject to extensive regulation by foreign governments. There can be no assurance that the Company will be able to obtain the required regulatory approvals or comply with the applicable regulatory requirements for any of its products, excluding (in the United States only) the Company's Velogene™ Rapid MRSA Assay, for which the Company has received clearance from the United States Food and Drug Administration for marketing. If the Company is unable to obtain the necessary regulatory approvals, it may not be able to commercialize its products.

The Company's products currently under development require significant development, preclinical and clinical testing and investment of significant funds prior to their commercialization. Securing regulatory

approval requires the Company to submit extensive preclinical and clinical data and supporting information for each indication to establish the product's safety and efficacy. The process of completing development, preclinical and clinical testing and obtaining subsequent approvals is likely to take a number of years. Any delay in obtaining approvals may:

- adversely affect the successful commercialization of products that the Company or its collaborative partners develop;
- diminish any competitive advantages that the Company or its collaborative partners may obtain; and
- adversely affect the Company's receipt of revenues or royalties.

Certain material changes to an approved product such as manufacturing changes are subject to further regulatory review and approval. Any required approvals, once obtained, may be withdrawn. Compliance with other regulatory requirements may not be maintained. Additionally, if the Company fails to comply with applicable regulatory requirements at any stage during the regulatory process, the Company or its contract manufacturers may be subject to sanctions, including:

- fines;
- product recalls or seizures;
- injunctions;
- refusal of regulatory agencies to review pending market approval applications or supplements to approval applications;
- total or partial suspension of production;
- civil penalties;
- withdrawals of previously approved marketing applications; and
- criminal prosecution.

The Company and its contract manufacturers will be required to comply with applicable good manufacturing practices regulations, which include requirements relating to quality control and quality assurance as well as the corresponding maintenance records and documentation. Manufacturing facilities must be approved before the Company can use them in commercial manufacturing of the Company's products and are subject to inspection by regulatory agencies. The Company and its contract manufacturers may not be able to comply with the applicable good manufacturing practice requirements and other regulatory requirements, which could have a material adverse affect on the Company's business, financial condition and results of operations.

Even If the Company Obtains All Necessary Regulatory Approvals, Its Products May Not Gain Market Acceptance

Even if the Company's products obtain all necessary regulatory approvals, they may not gain market acceptance among physicians, patients, healthcare payors and the medical community. The degree of market acceptance of any product that the Company develops will depend on a number of factors, including:

- establishment and demonstration of clinical efficacy and safety;
- cost-effectiveness of the products;
- their potential advantage over alternative products;
- reimbursement policies of governments and third-party payors; and
- marketing and distribution support for the products.

If the Company's products do not achieve significant market acceptance, the Company's business, financial condition and results of operations will be materially adversely affected.

The Company Depends Upon the Availability of Reimbursement From Third-Party Payors Who Are Increasingly Challenging The Price And Examining The Cost Effectiveness Of Medical Products and Services

Sales of the Company's products will depend in part upon the availability of reimbursement from third-party payors, including government health administration authorities, managed care providers, private health insurers and other organizations. These third-party payors are increasingly challenging the price and examining the cost effectiveness of medical products and services. In addition, significant uncertainty exists as to the reimbursement status of newly approved medical products. The Company may need to conduct post-marketing studies to demonstrate the cost-effectiveness of its products. These studies may require the Company to provide a significant amount of resources. Adequate third-party reimbursement may not be available to enable the Company to maintain price levels sufficient to realize an appropriate return on its investment in product development. Governments continue to propose and pass legislation designed to reduce the cost of healthcare. Adoption of this legislation could further limit reimbursement. If the government and third-party payors fail to provide adequate coverage for the Company's products, the market acceptance of its products may be adversely affected.

The Company's Operations Involve Hazardous Materials Which Require It To Comply With Regulatory Requirements And Which Could Subject It To Damages Resulting From Accidental Contamination Or Injury

The Company's research and development processes involve the controlled use of hazardous and radioactive materials. The Company is subject to federal, provincial, state and local laws and regulations governing the use, manufacture, storage, handling and disposal of hazardous materials and certain waste products. In the event of an accident, the Company could be held liable for damages resulting from accidental contamination or injury. These damages could exceed the Company's resources and any applicable insurance coverage. In addition, the Company may be required to incur significant costs to comply with regulatory requirements in the future.

Developments By Other Companies Could Render The Company's Products Or Technologies Non-Competitive

The biotechnology industry is highly competitive and subject to significant and rapid technological change. Developments by other companies within the industry could render the Company's products or technologies non-competitive if it is unable to keep pace with technological developments. Competitors have developed technologies that could be the basis for competitive products. Some of these products have an entirely different approach or means of accomplishing the desired effect than products being developed by the Company. The Company expects technological competition from biotechnology companies and academic research institutions to increase.

Many of the Company's competitors and potential competitors have substantially greater product development capabilities and financial, scientific, marketing and human resources than does the Company. The Company's competitors may succeed in developing products earlier and obtaining regulatory approvals and patent protection for such products more rapidly than the Company can. Some of those products may be more effective than those being developed by the Company. In addition, technologies or products that the Company develops may not be preferred to any existing technologies that have long histories of safe and effective use.

The Company faces and will continue to face intense competition from other companies for collaborative arrangements with academic and research institutions, and for licenses to proprietary technology. These competitors, either alone or with their collaborative partners, may succeed in developing technologies or products that are more effective that those of the Company.

Gene Based Testing. Several diagnostic companies manufacture and sell non-amplified gene-based test kits for the diagnosis of a variety of infectious diseases. The Company believes these tests have limited use because they do not have the sensitivity to detect low levels of target DNA. A number of companies are at various stages of developing probe-based gene detection systems which incorporate an amplification step. The Company believes that the only amplified gene detection system in widespread use is the Polymerase Chain Reaction system owned by Roche Holdings Limited. More than 10,000 research and reference laboratories worldwide are now using this system; however, it has yet to establish itself broadly for hospital and clinical laboratory testing. The Company is aware of three other amplified gene detection systems that have products approved for sale in the United States by the FDA. These tests are marketed for various diseases by Roche Molecular Systems, Gen-Probe, Incorporated and Abbott Laboratories. In addition, other companies have introduced amplified gene-based tests for research-only purposes, and the Company is aware of other organizations that are in the process of developing amplified gene-based tests. In addition to these amplified products, several companies also have direct DNA probe diagnostic systems which do not involve amplification.

The Company is not aware of any approved gene-based tests for MRSA, although there are a number of FDA approved non-probe based, non-amplified culture tests for MRSA, including products developed by Becton Dickinson Microbiology Systems and Biomérieux Vitek, Inc.

The Company is also aware of a rapid test for detection of MRSA from culture developed by Denka Seiken Ltd. This test does not detect the gene for MRSA, but rather detects a product of the gene. This test is currently available for sale in Japan, Europe and Canada. The Company is not currently aware of any pending application seeking approval to market this test in the United States. In addition, non-FDA approved tests may be marketed in the United States for "research-use only".

Subunit Vaccines. The Company is not aware of any vaccines for Group A streptococcus that are currently undergoing clinical testing in humans. However, the Company is aware of three other competing preclinical academic/commercial research programs by The Rockefeller University and Sigma Pharmaceuticals, the University of Minnesota and Wyeth-Ledrele Vaccines and North American Vaccine, Inc.

Currently, there is no effective vaccine against tuberculosis. Although a vaccine known as Bacillus Calmette-Guerin ("BCG") is widely used in developing nations, it is not commonly used in the industrialized countries due to conflicting studies regarding its efficacy. In addition, between 1% and 10% of those who receive BCG experience side effects from the vaccine. Also, individuals with compromised immune systems such as those who are HIV-positive or on immunosuppressive drugs (e.g., transplant patients, cancer patients or patients with autoimmune disorders) may contract disease if administered the BCG vaccine. BCG must also be used with caution in the elderly, newborns and, in some cases, pregnant women. There are approximately 30 manufacturers with BCG vaccines on the market and several others developing new strains of the BCG vaccine. The Company is not aware of any tuberculosis vaccine that is currently undergoing testing in humans. However, it is aware of some small companies that claim to have preclinical tuberculosis vaccine research programs, although these companies have published very little, if any, information. In addition, Merck & Co., Inc. Vaccine Division, and SmithKline-Beecham Biologicals S.A. in collaboration with Corixa Corporation, are engaged in preclinical research for tuberculosis vaccines.

The Company is aware of at least 11 other vaccines against HIV infections or AIDS currently under clinical development. The most advanced is a therapeutic/prophylactic vaccine by VaxGen, Incorporated. Other clinical trials for HIV/AIDS vaccines include those by Pasteur Mérieux-Connaught, Chiron Corporation, Bristol-Myers Squibb Company, Immune Response Corporation and a collaboration between Appolon Incorporated and Wyeth Lederle Vaccines. In addition, Cytel Corporation, Therion Biologics Corporation, Viral Technologies Incorporated and United Biomedical Incorporated all have HIV/AIDS vaccine candidates in early human testing. The competitive environment for vaccines against HIV/AIDS is extensive and there are likely other companies, in addition to those named above, developing both therapeutic and prophylactic vaccines for this disease.

The Company's Lack Of Commercial Manufacturing Experience Means That It Will Have To Incur Substantial Costs To Develop Manufacturing Facilities Or Contract With Third Parties Over Whom The Company Has Limited Control To Develop Its Products

In order to be successful, the Company's products must be manufactured in commercial quantities in compliance with regulatory requirements and at acceptable costs. The Company does not have facilities to manufacture its products under development and must initially obtain the small amounts of products it requires for clinical studies from contract manufacturing companies. In order to manufacture its products in commercial quantities, the Company will need to develop manufacturing facilities or contract with third parties to manufacture its products. The Company may not be able to develop or otherwise secure access to appropriate facilities and manufacturing contracts with third parties may not be available to the Company on favorable terms, if at all.

The Company's Lack Of Marketing And Sales Experience Means That It Must Rely On The Efforts Of Others To Commercialize Its Products

The Company does not have a marketing, sales or distribution capability. The Company intends to enter into arrangements with third parties to market and sell most of its products. The Company may not be able to enter into marketing and sales arrangements with others on favorable terms, if at all. To the extent that it enters into marketing and sales arrangements with other companies, the Company's revenues will depend on the efforts of others. These efforts may not be successful. If the Company is unable to enter into satisfactory third-party arrangements, then it must develop a marketing and sales force, which may need to be substantial in size, in order to achieve commercial success for any product. The Company may not successfully develop or obtain the necessary marketing and sales experience or have sufficient resources to do so. If the Company does develop these capabilities, it will compete with companies that have experienced and well-funded marketing and sales operations. If the Company fails to establish successful marketing and sales capabilities or fails to enter into successful marketing arrangements with third parties, its business, financial condition and results of operations will be materially adversely affected.

The Company's Products Subject It To The Risk Of Product Liability Claims For Which It May Not Be Able To Obtain Adequate Insurance Coverage

Medical devices and human therapeutic products involve the risk of product liability claims and associated adverse publicity. These claims might be made directly by consumers, healthcare providers or by pharmaceutical companies or others selling the Company's products. There can be no assurance that the Company will be able to obtain or maintain sufficient and affordable insurance coverage for any of these claims and, without sufficient coverage, any claim brought against the Company could have a materially adverse affect on its business, financial condition or results of operations.

The Company's Share Price Has Been And Is Likely To Continue To Be Highly Volatile

The market price of the Company's common shares has been highly volatile and is likely to continue to be volatile. For example, in 1998 the closing prices for the common shares on the Nasdaq SmallCap Market ranged from a high of US$5.00 to a low of US$1.88. During the first six months of fiscal 1999, the closing prices for the common shares on the Nasdaq SmallCap Market ranged from a high of US$3.13 to a low of US$1.69. On September 30, 1999, the closing price of the common shares on the Nasdaq SmallCap Market was US$2.03. Factors such as announcements of technological innovations, new commercial products, patents, the development of technologies by the Company or others, results of clinical studies, regulatory actions, publications, financial results or public concern over the safety of biotechnology products and other factors could have a significant effect on the market price of the Company's common shares.

Sales Of A Large Number Of the Company's Common Shares And Conversion Of The Convertible Debentures Could Adversely Affect the Market Price of the Company's Common Shares

The Company cannot predict what effect the conversion of the principal amount of its previously issued convertible debentures into common shares (or the issuance of common shares as payment of interest on the convertible debentures) and/or the exercise of the warrants for common shares and the sale of these common shares into the public market will have on the market price for the Company's common shares. As of September 30, 1999, US$3,300,000 principal amount of the convertible debentures and all of the warrants issued concurrently therewith were outstanding. Based upon the weighted average trading price

for the Company's common shares on the Nasdaq SmallCap Market for the five days prior to September 30, 1999, 1,865,777 common shares are issuable upon conversion of the convertible debentures and exercise of these warrants. In addition, Pasteur Mérieux-Connaught holds shares of ID Vaccine that are exchangeable into US$2 million of the Company's common shares. Based on the closing price for the Company's common shares on the Nasdaq SmallCap Market on September 30, 1999, this equates to 985,222 common shares. Offers or sales of significant quantities of common shares, or the perception that sales may occur or have occurred, could adversely affect the market price. If the selling securityholder or Pasteur Mérieux-Connaught sells a large number of common shares into the public market over a short time, the market price of the Company's common shares could decline. Such a decline may make it more difficult for the Company to raise money by means of future equity financings.

In addition, the conversion feature of the convertible debentures operates to increase the number of common shares issuable upon conversion when the market price of the common shares is lower, creating additional dilution to existing shareholders. As these shares are issued upon conversion, the market price may tend to decline further which could increase the number of common shares issuable upon conversion of the remaining convertible debentures.

The terms of the agreement with the selling securityholder do not prohibit the selling securityholder from engaging in short sales of common shares. Sales of common shares by the selling securityholder or others could drive the market price down, which could encourage short sales of common shares by the selling securityholder or others. Material amounts of such short selling could place further downward pressure on the market price of the Company's common shares.

If the Company Fails to Become Year 2000 Compliant, Its Operations May Be Materially Disrupted

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Company's computer programs or hardware that have date-sensitive software or embedded chips may recognize a date using "00" as the year 1900 rather than the year 2000. This may result in a system failure or miscalculations causing disruptions of operations, including among other things, a temporary inability to receive supplies from vendors, or operate accounting and other internal systems. If the Company's software vendors are unable to address the Year 2000 compliance of their products, or should the Company's suppliers' operations be disrupted by the Year 2000 Issue, then the Company's ability to serve collaborative partners and develop products may be materially adversely affected. The Company has not yet inquired of all collaborative partners, third-party vendors and suppliers to determine whether they are Year 2000 compliant and it does not have a contingency plan to address Year 2000 problems if they were to arise. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Year 2000 Issue."

DILUTION

The following table sets forth the share dilution of the Common Shares based upon the net tangible book value per Common Share as at September 30, 1999 after giving effect to the issuance of Common Shares upon exercise of the Special Warrants (but without giving effect to the exercise of Warrants):

Offering price per Common Share		$2.50
Net tangible book value before this issue	$(0.06)	
Increase in net tangible book value attributable to this issue	$ 0.24	

Net tangible book value after this issue	$0.18
Dilution to purchasers of Special Warrants	$2.31
Percentage dilution in relation to price of Special Warrants	92.5%

INTEREST OF MANAGEMENT IN CERTAIN TRANSACTIONS

Richard J. Murphy, a director of the Company is a director, Chairman of the Board and the holder of approximately 15% of the outstanding common shares of TheraGuide. ID Vaccine and TheraGuide have entered into a memorandum of agreement pursuant to which it is intended that ID Vaccine will be granted exclusive worldwide royalty-bearing rights to develop and market vaccines or immunotherapeutics based on TheraGuide's proprietary technology related to HIV. Under the memorandum of agreement, ID Vaccine Corporation has paid fees of US$112,500 to date and will be required to make further payments aggregating US$1,312,500 upon the attainment of certain milestones relating to the commercial development of TheraGuide's technology. See "Business – Subunit Vaccines - License and Acquisition Agreements - TheraGuide Agreement."

DIVIDEND POLICY

At the present time, the Company intends to retain earnings for corporate purposes. The payment of dividends in the future will depend on the earnings and financial condition of the Company and on such other factors as the Board of Directors of the Company may consider appropriate. However, since the company is currently in a development stage, it is unlikely that earnings will be available for the payment of dividends in the near future.

MATERIAL CONTRACTS

The following are material contracts entered into since October 21, 1997 by the Company or ID Vaccine, other than in the ordinary course of business:

1. The debenture purchase agreement relating to the issuance of U.S.$4,000,000 principal amount of convertible debentures described under "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources".

2. The Alexon-Trend, Inc. license agreements referred to under "Gene Based Testing - Marketing and Distribution".

3. The University of Tennessee Research Corporation License Agreement referred to under "Subunit Vaccines - License and Acquisition Agreements - UTRC Agreement".

4. The University of British Columbia Option Agreement and Collaborative Research Agreement referred to under "Subunit Vaccines - License and Acquisition Agreements - UBC Option Agreement and Collaborative Research Agreement".

5. The Agency Agreement referred to under "Details of the Offering"

6. The Special Warrant Indenture referred to under "Details of the Offering".

7. The Share Purchase Warrant Indenture referred to under "Details of the Offering".

8. National Institutes of Health Agreement referred to under "Subunit Vaccines - Vaccine Development Program - Group A Streptococcus Vaccine".

AUDITORS, TRANSFER AGENT & REGISTRARS

The auditors of the Company are KPMG, Chartered Accountants, of 777 Dunsmuir Street, Vancouver, British Columbia.

The registrar and transfer agent for the common shares is Montreal Trust Company of Canada, 510 Burrard Street, Vancouver, British Columbia. This office and the principal offices of Montreal Trust Company of Canada in the cities of Montreal and Toronto can effect transfers and make deliveries of certificates.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment thereto. In several of the provinces of Canada securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, but such remedies must be exercised by the purchaser within the time limit prescribed by the securities legislation of his province. The purchaser should refer to any applicable provisions of the securities legislation of his province for the particulars of these rights or consult with a legal advisor.

CONTRACTUAL RIGHT OF ACTION FOR RESCISSION

In the event that a holder of a Special Warrant, who acquires Common Shares and one-half of one share purchase warrant upon the exercise of the Special Warrants as provided for in this prospectus, is or becomes entitled under applicable securities legislation to the remedy of recission by reason of this prospectus or any amendment thereto containing a misrepresentation, such holder shall be entitled to recission, not only of the holder's exercise of the Special Warrant, but also of the private placement transaction pursuant to which the Special Warrant was initially acquired, and shall be entitled in connection with such recission to a full refund of all consideration paid to the Company on the acquisition of the Special Warrant. In the event such holder is the permitted assignee of the interest of the original Special Warrant subscriber, such permitted assignee shall be entitled to exercise the rights of recission and refund granted hereunder as if such permitted assignee was the original subscriber. The foregoing are in addition to any other right or remedy available to a holder of Special Warrants under Section 131 of the *Securities Act* (British Columbia) and similar provision of the securities legislation of other provinces or otherwise at law and are subject to the defences, limitations and other provisions of such legislation.

AUDITORS' REPORT TO THE DIRECTORS

We have audited the consolidated balance sheets of ID Biomedical Corporation as at December 31, 1998 and March 31, 1998 and the consolidated statements of operations and deficit and cash flows for the nine months ended December 31, 1998 and for each of the years in the four year period ended March 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1998 and March 31, 1998 and the results of its operations and its cash flows for the nine months ended December 31, 1998 and for each of the years in the four year period ended March 31, 1998 in accordance with generally accepted accounting principles.

Chartered Accountants

(signed) *KPMG LLP*
Vancouver, Canada

February 19, 1999, except
as to note 17 which is as of
January 25, 2000

REVIEW ENGAGEMENT REPORT TO THE DIRECTORS

We have reviewed the consolidated balance sheet of ID Biomedical Corporation as at September 30,1999 and the consolidated statements of operations and deficit and cash flows for the nine months ended September 30, 1999 and 1998. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the Company.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with generally accepted accounting principles.

Chartered Accountants

(signed) *KPMG LLP*
Vancouver, Canada

January 25, 2000

ID BIOMEDICAL CORPORATION

Consolidated Balance Sheets

	September 30, 1999	December 31, 1998	March 31, 1998
	(unaudited)		
Assets			
Current assets			
Cash and cash equivalents	$ 132,694	$ 4,083,195	$ 2,405,262
Term deposits	–	–	4,425,084
Accounts receivable	251,542	197,722	492,845
Inventory	22,567	–	–
Prepaid expenses	145,473	123,821	301,000
	552,276	4,404,738	7,624,191
Capital assets (note 4)	1,977,484	2,193,396	2,422,571
Patent rights (note 5)	626,805	554,334	401,540
Medical technology (note 6)	5,486,785	4,689,417	4,722,731
	$ 8,643,350	$ 11,841,885	$ 15,171,033
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	$ 1,039,402	$ 908,233	$ 877,934
Notes payable (note 7)	745,637	–	–
Current portion of long-term debt (note 8)	310,960	318,708	353,076
Current portion of convertible debenture (note 9)	171,400	240,287	–
	2,267,399	1,467,228	1,231,010
Long-term debt (note 8)	445,746	721,738	783,833
Convertible debenture (note 9)	729,524	999,596	–
Shareholders' equity			
Share capital (note 10)	42,852,465	40,407,951	40,283,968
Equity element of convertible debenture and notes payable (notes 7 and 9)	3,860,252	4,282,787	–
Deficit	(41,512,036)	(36,037,415)	(27,127,778)
	5,200,681	8,653,323	13,156,190
Liquidity and future operations (note 1)			
Commitments (notes 8 and 13)			
Uncertainty due to the Year 2000 Issue (note 16)			
Subsequent events (note 17)			
	$ 8,643,350	$ 11,841,885	$ 15,171,033

See accompanying notes to consolidated financial statements.

On behalf of the Board:

(signed) *DR. ANTHONY HOLLER* Director (signed) *DANIEL A. CARRIERE* Director

ID BIOMEDICAL CORPORATION

Consolidated Statements of Operations and Deficit

	Nine months ended			Years ended March 31			
	September 30,		December 31,				
	1999	1998	1998	1998	1997	1996	1995
	(unaudited)						
Revenue							
Product Sales	$ 30,809	$ -	$ -	$ -	$ -	$ -	$ -
Licensing	220,000	-	-	-	-	2,513,993	352,500
Contract research and development	-	-	-	167,549	337,407	575,708	128,307
Interest and other	118,420	165,791	136,390	343,447	646,213	615,246	45,205
Foreign exchange	(82,005)	17,412	77,334	88,820	77,873	28,201	31,080
	287,224	183,203	213,724	599,816	1,061,493	3,733,148	557,092
Expenses							
Cost of sales	26,999	-	-	-	-	-	-
Research and development	2,306,882	5,835,744	5,617,093	6,336,886	4,072,412	2,979,489	2,843,099
Less grants	-	(17,073)	(21,600)	(49,395)	(55,770)	(23,515)	(36,705)
	2,333,881	5,818,671	5,595,493	6,287,491	4,016,642	2,955,974	2,806,394
General and administrative	2,135,784	2,387,934	2,756,026	3,011,630	2,490,206	2,258,728	3,683,836
Depreciation and amortization	664,044	1,021,012	600,745	1,022,842	497,810	494,767	383,065
Interest	414,297	116,060	150,324	41,401	-	-	-
	5,547,966	9,343,677	9,102,588	10,363,364	7,004,658	5,709,469	6,873,295
Income (loss) before other income and non-controlling interest	(5,260,742)	(9,160,474)	(8,888,864)	(9,763,548)	(5,943,165)	(1,976,321)	(6,316,203)
Gain on sale of interest in subsidiary	-	-	-	-	-	2,523,715	-
Income (loss) before non-controlling interest	(5,260,742)	(9,160,474)	(8,888,864)	(9,763,548)	(5,943,165)	547,394	(6,316,203)
Non-controlling interest	-	28,402	-	88,745	43,983	9,357	104,568
Net income (loss)	(5,260,742)	(9,132,072)	(8,888,864)	(9,679,803)	(5,899,182)	556,751	(6,211,635)
Accretion of equity element of convertible debenture	(213,879)	-	(20,773)	-	-	-	-
Deficit, beginning of period	(36,037,415)	(23,732,941)	(27,127,778)	(17,447,975)	(11,548,793)	(12,105,544)	(5,893,909)
Deficit, end of period	$(41,512,036)	$(32,865,013)	$(36,037,415)	$(27,127,778)	$(17,447,975)	$(11,548,793)	$(12,105,544)

Net income (loss per share)	$	(0.33)	$	(0.59)	$	(0.57)	$	(0.69)	$	(0.43)	$	0.04	$	(0.60)

See accompanying notes to consolidated financial statements.

ID BIOMEDICAL CORPORATION

Consolidated Statements of Cash Flows

	Nine months ended			Years ended March 31			
	September 30,		December 31,				
	1999	1998	1998	1998	1997	1996	1995
	(unaudited)						
Cash provided by (used in)							
Operating activities:							
Net income (loss)	$ (5,260,742)	$ (9,132,072)	$(8,888,864)	$ (9,679,803)	$(5,899,182)	$ 556,751	$ (6,211,635)
Items not affecting cash							
Depreciation and amortization	664,004	1,021,012	600,745	1,022,842	497,810	494,767	383,065
Remuneration in shares (note 10(c))	-	-	-	-	71,400	213,676	126,000
Gain on sale of interest in subsidiary	-	-	-	-	-	(2,523,715)	-
Gain on sale of property and equipment	(60,534)	-	-	-	-	-	-
Interest on convertible debenture	275,965	-	5,112	-	-	-	-
Interest on notes payable	33,963	-	-	-	-	-	-
Non-controlling interest	-	(28,402)	-	(83,745)	(43,983)	(9,357)	(104,568)
Patents and licences write-off	-	-	-	-	-	-	80,081
Directors fees paid in shares	61,500	21,268	60,018	39,637	-	-	-
Net changes in non-cash working capital balances relating to operations	33,130	791,330	277,141	332,803	(894,991)	(422,480)	(964,819)
	(4,252,714)	(7,326,864)	(7,945,848)	(8,368,266)	(6,268,946)	(1,690,358)	(6,691,786)
Investing activities							
Proceeds on issuance of shares by subsidiary	-	-	-	-	-	1,770,300	-
Terms Deposits	-	5,287,443	4,425,084	1,149,026	2,787,632	(8,258,618)	1,031,913
Medical technology	(13,410)	(263,929)	(184,394)	(234,233)	-	(681,531)	-
Capital assets	(298,671)	(84,818)	(41,500)	(931,580)	(222,660)	(204,188)	(138,659)
Patent rights	(81,185)	(90,612)	(161,826)	(143,751)	(122,310)	(205,462)	(132,208)
Proceeds from sale of property and equipment	135,869	-	-	-	-	-	-
	(257,397)	4,848,084	4,037,364	(160,538)	2,442,662	(7,579,499)	761,046

ID BIOMEDICAL CORPORATION

Consolidated Statements of Cash Flows (continued)

	Nine months ended			Years ended March 31			
	September 30, 1999	September 30, 1998	December 31, 1998	1998	1997	1996	1995
	(unaudited)	(unaudited)					
Financial activities:							
Proceeds on issuance of:							
Common shares	$ 63,750	$ 333,454	$ 243,425	$ 5,562,599	$ 4,292,275	$13,486,729	$3,931,539
Notes payable	779,600	-	-	-	-	-	-
Convertible debentures, net of issue costs of $753,543	-	-	5,642,785	-	-	-	-
Share exchange options	-	-	-	-	-	107,200	-
Proceeds from loan payable	-	-	-	-	5,790	-	192,687
Net change in non-controlling interest	-	-	-	-	-	137,085	-
Deferred financing costs	-	(111,940)	-	-	-	-	-
Repayment of long-term debt	(283,740)	(151,566)	(199,933)	(149,933)	-	-	-
	559,610	69,948	5,586,417	5,412,666	4,298,065	13,731,014	4,124,226
Increase (decrease) in cash and cash equivalents	(3,950,501)	(2,408,832)	1,677,933	(3,116,138)	471,781	4,461,157	(1,806,604)
Cash and cash equivalents, beginning of period	4,083,195	3,338,188	2,405,262	5,521,400	5,049,619	588,462	2,395,066
Cash and cash equivalents, end of period (note 12)	$ 132,694	$ 929,356	$ 4,083,195	$ 2,405,262	$ 5,521,262	$5,049,619	$ 588,462
Supplementary information							
Interest and income taxes paid							
Interest paid	$ 107,428	$ 133,110	$ 150,324	$ 41,401	$ -	$ -	$ -
Taxes paid	$ -	$ -	$ -	$ 48,800	$ -	$ -	$ -
Non-cash transactions							
Acquisition of assets under capital lease	$ -	$ 408,713	$ 103,330	$ 1,088,365	$ -	$ -	$ -
Shares taken into treasury as consideration for accounts receivable	$ -	$ -	$ 225,460	$ -	$ -	$ -	$ -
Directors fees paid in shares	$ 61,500	$ 21,268	$ 60,018	$ 39,637	$ -	$ -	$ -
Remuneration in shares	$ -	$ -	$ -	$ -	$ 71,400	$ 213,676	$ 126,000
Conversion of convertible debentures	$ 1,043,299	$ -	$ 40,888	$ -	$ -	$ -	$ -
Interest on convertible	$ 275,965	$ -	$ 5,112	$ -	$ -	$ -	$ -

debentures paid in shares												
Milestone payment paid in shares	$	1,000,000	$	-	$	-	$	-	$	-	$ 890,500	$ -

See accompanying notes to consolidated financial statements.

ID Biomedical Corporation (the "Company"), was incorporated under the British Columbia Company Act on March 4, 1991. The primary business purpose of the Company is to research and develop medical products and technologies for the diagnosis and prevention of human infectious diseases.

1. Liquidity and future operations

The Company has incurred development stage losses (income) of $5,260,742 (unaudited), $9,132,072 (unaudited), $8,888,864, $9,679,803, $5,899,182, ($556,751) and $6,211,635 during each of the nine month periods ended September 30, 1999, September 30, 1998 and December 31, 1998 and the years ended March 31, 1998, 1997, 1996 and 1995, respectively. As at September 30, 1999 cash and cash equivalents and term deposits amounted to $132,694 (unaudited) (December 31, 1998 - $4,083,195, March 31, 1998 - $6,830,346). These consolidated financial statements have been prepared in accordance with generally accepted accounting principles on a going concern basis which assumes the realization of assets and the discharge of liabilities at their carrying values in the normal course of business for the foreseeable future. The Company has incurred significant operating losses since inception and will require significant additional expenditures to develop their technology. Accordingly, the Company will require for the foreseeable future additional capital in order to continue operations, fund its research and development activities, and ensure recovery of the carrying value of its assets. The outcome of these matters can not be predicted at this time. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company not be able to secure additional financing.

2. Significant accounting policies

(a) Basis of presentation

These consolidated financial statements include the accounts of the Company, its wholly-owned U.S. subsidiaries ID Biomedical Inc. and ID Financial Corporation and its 96% owned U.S. subsidiary, ID Vaccine Corporation ("IDV"). All intercompany transactions and balances have been eliminated.

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada and reflect the following significant accounting policies.

(b) Change in year-end

Beginning with December 31, 1998, the Company changed its year-end to December 31. The comparative figures are for the year ended March 31, 1998.

2. Significant accounting policies, continued

(c) Research and development expenditures

Research costs are charged to expense in the period in which they are incurred. Development costs are charged as an expense in the period incurred unless the Company believes a development project meets stringent criteria for deferral and amortization. No development costs have been deferred to date.

(d) Capital assets

Capital assets are stated at cost and are depreciated on a straight-line basis over their estimated useful lives. Office furniture and equipment is depreciated over three years and laboratory equipment over five years. Leasehold improvements are amortized over the lesser of their estimated useful lives or the lease term.

(e) Cash equivalents

Cash equivalents are highly liquid investments, such as treasury bills and term deposits with major financial institutions, that are readily convertible to contracted amounts of cash and with maturities at the date of purchase of three months or less.

(f) Patent rights

The costs incurred to obtain patents are capitalized. Costs are amortized over the life of the patent once commercial production of the related product commences or once the Company enters into a licencing agreement with respect to the technology. The cost of servicing the Company's patents is expensed as incurred. The unamortized cost of patents which have no future benefit are charged to amortization expense.

(g) Medical technology

The costs of acquiring medical technology are capitalized. Costs are amortized over the life of the technology once commercial production of the related product commences or once the Company enters into a licensing agreement with respect to the technology.

(h) Fair value of financial instruments

Carrying amounts of certain of the Company's financial instruments, including accounts receivable, bank overdraft and accounts payable and accrued liabilities, approximate fair value due to their short maturities. Based on borrowing rates currently available to the Company for loans with similar terms, the carrying value of its long-term debt and convertible debentures approximates fair value.

(i) Foreign exchange

The Company's subsidiaries are located in the United States and considered to be integrated foreign operations. Accordingly, monetary items are translated into Canadian dollars at the exchange rate in effect at the balance sheet date and non-monetary items are translated at

historical exchange rates. Revenue and expense items are translated at transaction date rates. Any exchange gains or losses are included in current earnings.

2. Significant accounting policies, continued

(j) Net loss per share

Net loss per share is calculated based on the weighted average number of common shares outstanding. Fully-diluted loss per share has not been disclosed as the effect of common shares issuable upon the exercise of options or warrants would be anti-dilutive.

(k) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the determination of the valuation of patents and medical technology, the useful lives of assets for depreciation and amortization and the amounts recorded as accrued liabilities.

(l) Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

3. Change in method of presentation:

The Company adopted CICA Handbook Section 1540, Cash Flow Statements, for the nine months ended September 30, 1999. The provisions were applied retroactively with restatement of prior period financial statements. Under Section 1540, non-cash investing and financing activities are excluded from the statement of cash flows and are disclosed as summary information to the Statement of Cash Flows.

4. Capital assets

September 30, 1999 (unaudited)	Cost	Accumulated depreciation and amortization	Net book value
Laboratory equipment	$ 1,559,582	$ 750,508	$ 809,074
Office furniture and equipment	488,155	318,490	169,665
Leasehold improvements	1,529,119	530,374	998,745
	$ 3,576,856	$ 1,599,372	$ 1,977,484

4. Capital assets, continued

December 31, 1998	Cost	Accumulated depreciation and amortization	Net book value
Laboratory equipment	$ 1,553,539	$ 758,153	$ 795,386
Office furniture and equipment	974,095	661,415	312,680
Leasehold improvements	1,501,261	415,931	1,085,330
	$ 4,028,895	$ 1,835,499	$ 2,193,396

March 31, 1998	Cost	Accumulated depreciation and amortization	Net book value
Laboratory equipment	$ 1,422,570	$ 610,146	$ 812,424
Office furniture and equipment	984,196	541,518	442,678
Leasehold improvements	1,477,299	309,830	1,167,469
	$ 3,884,065	$ 1,461,494	$ 2,422,571

Included in capital assets are approximately $1,191,695 (December 31, 1998 - $1,191,695; March 31, 1998 - $1,088,365) in assets under capital leases with accumulated amortization in the amount of approximately $518,700 (December 31, 1998 - $316,000; March 31, 1998 - $164,000).

5. Patent rights

	September 30, 1999	December 31, 1998	March 31, 1998
	(unaudited)		
Cost	$ 673,281	$ 592,097	$ 430,271
Accumulated amortization	46,476	37,763	28,731
	$ 626,805	$ 554,334	$ 401,540

6. Medical technology

Medical technology includes payments made under contractual agreements to acquire certain medical technologies and the cost of licenses.

	September 30, 1999	December 31, 1998	March 31, 1998
	(unaudited)		
Meiogenics Agreement (a)	$ 2,000,000	$ 1,000,000	$ 1,000,000
IDNA Agreement (b)	317,500	317,500	317,500
UCLA Agreement net of accumulated amortization of $1,152,249 (unaudited) (December 31, 1998 - $936,206; March 31, 1998 - $718,498) (c)	2,727,580	2,943,623	3,161,331
UTRC Agreement (e)	284,916	271,505	137,400
TheraGuide Agreement (f)	156,789	156,789	106,500
	$ 5,486,785	$ 4,689,417	$ 4,722,731

(a) Meiogenics Agreement

The Company and Meiogenics U.S. Limited Partnership, Meiogenics Canada Limited Partnership and Meiogenics Technology Management Corp. ("Meiogenics") entered into an asset purchase agreement (the "Meiogenics Agreement") dated July 29, 1992, as amended, under which the Company acquired certain patents, proprietary technology and intellectual property associated with Scissile Linkage Technology ("SLT") and Cycling Probe™ Technology ("CPT") (the "Meiogenics Assets") from Meiogenics effective December 18, 1992.

Under the Meiogenics Agreement, the Company made an initial payment of $1,000,000 on December 18, 1992 which was repaid to the Company as consideration for 320,000 common shares issued from treasury to Meiogenics. The Company made its first of two milestone payments in the amount of $1,000,000 on September 8, 1999 comprised of 355,872 common shares of the Company (unaudited). The Company will make a further payment upon the attainment of a milestone relating to the commercial development of the Meiogenics Assets. The potential aggregate cost of the additional milestone payment is $1,000,000 to be paid in cash or shares at the option of the Company. If the Company elects to issue common shares, the number of common shares will be calculated by dividing the milestone payment by the market price of the common shares determined in accordance with the Meiogenics Agreement.

6. Medical technology, continued

(b) IDNA Agreement

The Company and Integrated DNA Technologies, Inc. ("IDNA") of Iowa, United States entered into an asset purchase agreement (the "IDNA Agreement") dated January 27, 1993 under which the Company acquired certain assets and was granted an exclusive sublicense of certain patents and patent applications relating to CPT (the "IDNA Assets") effective March 5, 1993.

On March 31, 1997, the Company and IDNA entered into an amendment to the IDNA Agreement pursuant to which the Company has agreed to fund a research and development program to be carried out by IDNA. Any funds paid by the Company to IDNA under this program will reduce the amount otherwise payable (the "Milestone Payment") by the Company to IDNA under the IDNA Agreement upon the achievement of certain goals relating to commercial development of the IDNA Assets. As of September 30, 1999 the Milestone Payment of U.S. $540,000 would be payable when the milestone is attained at the option of the Company, in either common shares or cash.

(c) UCLA Agreement

IDV and the University of California at Los Angeles ("UCLA") entered into a licencing agreement (the "UCLA Agreement") dated April 7, 1993, as amended by various amendments, pursuant to which IDV was granted an exclusive, worldwide royalty-bearing license to use certain patented technology of UCLA (the "UCLA technology") for the development of vaccines and immunotherapeutics against *Mycobacterium tuberculosis*. UCLA also granted IDV the right to issue exclusive or non-exclusive sublicenses to third parties to use the UCLA technology. UCLA also granted to IDV exclusive, worldwide license rights to a vaccine against Legionella pneumophila (Legionnaires disease) developed by UCLA. The rights to the Legionella pneumophila vaccine were terminated and returned to UCLA in 1998. UCLA has collaborated with IDV in research, development and testing of the tuberculosis vaccine and as need will collaborate in the future.

Under the UCLA Agreement, as amended, IDV paid UCLA a license issue fee of U.S. $750,000 and will make further payments upon the attainment of certain milestones relating to the commercial development of the tuberculosis vaccine by UCLA and IDV. The potential aggregate cost to IDV to obtain the exclusive, worldwide royalty-bearing license to the UCLA technology, including the license issue fee and all development milestones, will total U.S. $4,750,000 plus royalties.

6. Medical technology, continued

(c) UCLA Agreement, continued

UCLA attained the first development milestone in January, 1994 which resulted in a payment by IDV of U.S. $1,000,000 to UCLA. As a result of the achievement of the first milestone, on February 28, 1996, UCLA exercised its option to cause the Company to deliver to UCLA 82,238 common shares of the Company, which amounted to a value of U.S. $650,000. UCLA attained the second development milestone in June 1995 which resulted in a payment by IDV of U.S. $500,000 to UCLA.

On completion of the PMC Agreement (see note 6(d)), the Company commenced amortization of the capitalized medical technology costs and patent costs related to the UCLA Agreement. These costs are being amortized over the remaining life of the UCLA patents.

(d) PMC Agreement

The Company, IDV and Pasteur Mérieux Connaught ("PMC") entered into a license and collaboration agreement (the "PMC Agreement") dated September 29, 1995 pursuant to which PMC was granted an exclusive, worldwide royalty-bearing license to develop, manufacture and sell a tuberculosis vaccine based on IDV's technology.

Under the PMC Agreement, PMC paid IDV an up front license fee of U.S. $1,670,000 in addition to the contract execution fee of U.S. $250,000 paid February 28, 1995 and made development support payments on a quarterly basis totaling U.S. $500,000 during the period October 1, 1995 to September 30, 1997. IDV will receive milestone and prepaid royalty payments if certain clinical, regulatory and marketing recommendation milestones are met, as well as royalties on product sales. IDV attained the first development milestone in February 1996 resulting in a payment of U.S. $250,000 from PMC.

In addition to the license and development fees, PMC acquired a 4% equity interest in IDV for cash of U.S. $2,000,000. PMC has the right and option to exchange its IDV shares for common shares in the Company at any time up to March 30, 2003. The number of common shares to be issued by the Company is equal to the amount determined by dividing the greater of U.S. $2,000,000 and the fair market value of the IDV shares determined in accordance with the agreement by the market price on the issue date of the Company's common shares.

The aggregate funds which could be received including the contract execution fee, license issue fee, development support payments, equity investment and all development milestones total U.S. $29,750,000 plus royalties.

6. Medical technology, continued

(e) UTRC Agreement

IDV and the University of Tennessee Research Corporation ("UTRC") entered into a Memorandum of Agreement dated February 1, 1996 (the "UTRC Memorandum"), and subsequently completed a licensing agreement (the "UTRC Agreement") dated August 29, 1997 pursuant to which IDV was granted an exclusive, worldwide license to use certain patented technology of UTRC (the "UTRC Technology") for the development of a vaccine against group A streptococcus. UTRC also granted IDV the right to issue exclusive or non-exclusive sublicenses to third parties.

During the year ended March 31, 1997, IDV paid an execution fee of U.S. $20,000 upon signing of the UTRC Memorandum. On completion of the UTRC Agreement, a U.S. $80,000 license fee was paid by IDV. The Company made the first anniversary payment of $100,000 U.S. in the period ended December 31, 1998. The Company accrued for the second anniversary payment of $10,000 in the period ended September 30, 1999. The potential aggregate cost for IDV to obtain the exclusive, worldwide license to the UTRC Technology, including the execution fee, the license maintenance payments and all development milestones will total U.S. $370,000 cash, U.S. $2,500,000 of IDV common shares at market price and, upon attaining the third milestone under the UTRC Agreement, 3% of the then issued and outstanding shares of IDV. There are no royalties due under the UTRC Agreement.

(f) TheraGuide Agreement

IDV and TheraGuide, Inc. ("TheraGuide") entered into a Memorandum of Agreement dated November 24, 1997 (the "TheraGuide Agreement") pursuant to which IDV will be granted exclusive world wide royalty-bearing rights to develop and market vaccines or immunotherapeutics based on TheraGuide's proprietary technology related to human immunodeficiency virus ("HIV"). The parties intend to replace the TheraGuide Agreement with a definitive license and collaboration agreement pursuant to which TheraGuide and IDV will collaborate on further research, development and testing of vaccines and other immunotherapeutics against HIV. Under the TheraGuide Agreement, IDV has paid license fees of U.S. $112,500 to December 31, 1998. IDV will be required to make further payments aggregating U.S. $1,312,500 plus royalties upon the attainment of certain milestones relating to the commercial development of TheraGuide's technology.

(g) ATI Agreement (unaudited)

The Company and Alexon-Trend, Inc. ("ATI") entered into a license and option agreement (the "ATI Agreement") dated June 24, 1999 pursuant to which ATI was granted an exclusive worldwide (except for Japan) royalty-bearing license to manufacture and sell the Company's Rapid MRSA Test and Rapid VRE Test.

6. Medical technology, continued

(h) ATI Agreement (unaudited), continued

Under the ATI Agreement, ATI paid the Company a payment of U.S. $50,000 on June 29, 1999 and a second payment on July 21, 1999 in the amount of U.S. $100,000 specific to the Rapid MRSA test. The Company can receive additional milestone payments totaling U.S. $150,000 upon achieving certain regulatory requirements relating to the Rapid VRE Test. The Company will also receive royalty payments on products sold by ATI.

In addition to the license and option agreement, the Company and ATI entered into a license agreement for gastrointestinal disease tests (the "ATI GDT Agreement") dated June 24, 1999 pursuant to which ATI was granted a nonexclusive, worldwide royalty-bearing license to develop, manufacture and sell certain diagnostic products in the field of gastrointestinal diseases based on the Company's technology. Under the ATI GDT Agreement, the Company will receive milestone and royalty payments if certain regulatory milestones are met, as well as royalties on product sales.

7. Notes payable (unaudited)

On July 14, 1999, the Company issued 532,000 units for cash proceeds of $779,600 (U.S. $532,000). Each unit entitles the holder to:

(a) one convertible note payable with a face value of U.S. $1 each, bearing no interest, secured by a general security charge over all present and after-acquired property of the Company, payable on December 31, 1999. Each note is convertible into 0.503448 of a common share at the option of the holder; and

(b) one half of one share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share of the Company at Cdn. $2.90, expiring June 30, 2000.

The notes have been segregated into their debt and equity components for presentation purposes. These components have been measured at their respective fair values on the date the notes were originally issued. The components of the notes at September 30, 1999 are as follows:

	(unaudited)
Notes payable	$ 779,600
Less equity component of notes payable	67,926
	711,674
Amount accreted to principal and charged as interest expense	33,963
	$ 745,637

8. Long-term debt

	September 30, 1999	December 31, 1998	March 31, 1998
	(unaudited)		
Western Economic Diversification loan	$ –	$ 27,521	$ 134,227
Obligation under capital leases	756,706	1,012,925	1,002,682
	756,706	1,040,446	1,136,909
Less current portion	310,960	318,708	353,076
	$ 445,746	$ 721,738	$ 783,833

The Company had entered into an agreement with the Government of Canada whereby the Department of Western Economic Diversification made interest-free repayable contributions to the Company for certain of its research programs.

During the year ended March 31, 1998, IDV entered into a lease agreement for laboratory equipment, furniture and office equipment. The total credit available under the agreement is U.S. $1,000,000. Each schedule under the agreement provides for a lease term of 42 months from the funding date of the schedule. At the end of each schedule term, the Company has the option to purchase the equipment at fair market value, which has been agreed to as between 10% to 20% of the original cost of the equipment. If IDV does not exercise its option at the end of the term, the lease schedule is automatically extended for one year with a purchase option of $1.00 at the end of the extended term.

Minimum future payments at September 30, 1999 required under long-term debt are as follows:

	(unaudited)
2000	$ 409,708
2001	536,040
2002	35,720
2003	1,018
	982,486
Less interest at 16%	225,780
	756,706
Less current portion	310,960
	$ 445,746

8. Long-term debt, continued

Minimum future payments at December 31, 1998 required under long-term debt are as follows:

1999	$ 460,006
2000	432,550
2001	394,610
2002	11,109
	1,298,275
Less interest at 16%	257,829
	1,040,446
Less current portion	318,708
	$ 721,738

9. Convertible debentures

On October 23, 1998, the Company issued convertible debentures for gross proceeds of $6,296,328 (US $4,000,000) which have been segregated into their debt and equity components for presentation purposes. These components have been measured at their respective fair values on the date the convertible debenture was originally issued. The debt component was determined by calculating the present value of the interest payment stream on the basis that the Company could settle the interest payable on a cash basis. The components of the convertible debentures at September 30, 1999 are as follows:

	September 30, 1999	December 31, 1998
	(unaudited)	
Liability component	$ 900,924	$ 1,239,883
Less current portion	(171,400)	(240,287)
	$ 729,524	$ 999,596
Equity component	$ 3,578,447	$ 4,262,014
Accreted equity element of convertible debenture	213,879	20,773
	$ 3,792,326	$ 4,282,787

9. Convertible debentures, continued

The unsecured 6% convertible debentures are convertible at the option of the holder into common shares, at any time up to and including October 23, 2003, at a conversion price that is the lessor of a) U.S. $3.44 or b) 85% of the average weighted price, calculated based on five trading days preceding the conversion date. Upon receipt of a Conversion Notice, the Company is to deliver common shares free of trading restrictions within three trading days. Interest is payable in cash or common shares at the option the Company.

The debentures are redeemable at the option of the Company on a date which is 120 trading days after delivery of notice, at the greater of a) 130% of the principal amount plus accrued and unpaid interest or b) the sum of i) the principal amount plus the accrued and unpaid interest divided by the conversion price multiplied by the average weighted price per share, as calculated above, and ii) all other amounts, expenses, costs and liquidated damages due in respect to such principal amount.

Any debentures which have not been converted or redeemed are convertible at the option of the Company at any time after October 31, 2001, at a conversion price that is the lessor of a) U.S. $3.44 or b) 85% of the average weighted price, calculated based on five trading days preceding the conversion date.

In the period from the date of issuance to December 31, 1998, circumstances in the Company which resulted in the measurement of the convertible debentures have changed as follows:

(a) The ability of the Company to issue free trading shares is contingent on the Company filing and obtaining receipt of a registration statement on Form F-3 prior to May 20, 1999. At the date of issuance of the convertible debentures, the Company was not required to issue a Form F-3. On May 17, 1999 the Company filed the initial Form F-3 and continues filing Form F-3's when shares are issued under the convertible debentures (unaudited);

(b) The Company's working capital position has decreased since the issuance of the convertible debenture due to its ongoing development activities and operations.

The inability of the Company to issue free trading shares or an insolvency situation would constitute an event of default. In the event of default, the debentures and any accrued and unpaid interest become due and payable in cash immediately. In accordance with Canadian generally accepted accounting principles, the presentation of the convertible debentures is consistent with that presentation adopted on the date initially recorded.

10. Share capital

(a) Authorized capital is as follows

200,000,000 common shares, without par value
100,000,000 Class A preference shares, with a par value of $10
100,000,000 Class B preference shares, with a par value of $50

(b) Common shares issued and outstanding are as follows

	Number of shares	Amount
Balance, March 31, 1994	10,035,102	$ 11,061,528
Common shares issued upon exercise of stock options	28,666	91,962
Common shares issued upon exercise of Special Warrants, net of issue costs of $444,704	545,460	2,555,326
Special Warrants, net of issue costs of $114,149 (note 10(c)):		
For cash	–	1,284,251
On exchange of non-controlling interest	–	1,802,461
Balance, March 31, 1995	10,609,228	16,795,528
Common shares issued upon exercise of stock options	707,100	6,164,025
Common shares issued upon exercise of Special Warrants, net of issue costs of $687,296	890,000	7,322,704
Common share issued upon qualification of Special Warrants	1,214,082	–
Share exchange option issued for cash per PMC agreement (note 6(d))	–	107,200
Balance, March 31, 1996	13,420,410	30,389,457
Common shares issued upon exercise of common share purchase warrants	430,860	3,231,450
Common shares issued per UCLA Agreement (note 6(c))	82,238	890,500
Common shares issued upon exercise of stock options	36,500	170,325
Balance, March 31, 1997	13,970,008	34,681,732
Common shares issued upon exercise and qualification of special warrants, net of issue costs of $561,901	1,500,000	5,438,099
Common shares issued upon exercise of common share purchase warrants	20,000	85,000
Common shares issued under Directors Fee Payment Plan	10,851	39,637
Common shares issued upon exercise of stock options	12,500	39,500
Balance, March 31, 1998, carried forward	15,513,359	40,283,968

10. Share capital, continued

(b) Common shares issued and outstanding are as follows

	Number of shares	Amount
Balance, March 31, 1998, brought forward	15,513,359	$ 40,283,968
Common shares issued upon exercise of purchase warrants	10,000	42,500
Common shares issued under Directors Fee Payment Plan	11,894	60,018
Common shares issued upon exercise of stock options	52,786	200,925
Common shares issued upon payment of convertible debenture	26,719	46,000
Less shares held in escrow	(26,247)	(225,460)
Balance, December 31, 1998	15,588,511	40,407,951
Common shares issued upon exercise of purchase warrants	15,000	63,750
Common shares issued under Directors Fee Payment Plan	20,034	61,500
Common shares issued upon payment of convertible debenture	476,777	1,319,264
Common shares issued to Meiogenics	355,872	1,000,000
Balance, September 30, 1999 (unaudited)	16,456,194	$ 42,852,465

Shares issued for non-cash consideration have been assigned values based on market prices at date of grant.

(c) Special warrants

Upon the exercise of special warrants of the Company issued on July 14, 1994, the Company issued 272,730 common share purchase warrants. Each common share purchase warrant entitled the holder to purchase two common shares at a price of $7.50 per share until July 12, 1996. During the year ended March 31, 1997, 215,430 common share purchase warrants were exercised and the balance expired.

On October 31, 1997 the Company issued 1,500,000 special warrants for cash proceeds of $5,438,099. On January 28, 1998 the Company filed a final prospectus for the purpose of qualifying the issue of 1,500,000 common shares upon the exercise of the special warrants.

10. Share capital, continued

(d) Common share purchase warrants

On January 13, 1995, the Company issued 1,214,082 special warrants as follows:

(i) 268,232 special warrants at $5.22 (U.S. $3.73) each for cash proceeds of $1,284,251.

(ii) 783,704 special warrants in exchange for the 22.3% interest in IDV not already owned by the Company. The issuance of these special warrants was recorded at $1,382,461 being the contributed surplus arising on original issue of the IDV shares plus the non-controlling interest in IDV to the date of exchange.

(iii) 162,146 special warrants in exchange for 150,000 shares in IDV which shares were issued on the exercise of stock options by an executive of IDV. These special warrants were issued at their estimated fair value of $420,000. The common shares issued on exercise of the special warrants were subject to certain escrow restrictions. The fair value of the shares was charged to income over the required employment period specified in the escrow agreement. Included in the statement of operations is $ nil (March 31, 1997 - $71,400; March 31, 1996 - $222,600) related to amortization of deferred stock option compensation.

On April 11, 1995, the Company filed a final prospectus for the purpose of qualifying the issue of 1,214,082 common shares upon the exercise of the special warrants.

Upon the exercise of special warrants of the Company issued on October 31, 1997, the Company issued 750,000 common share purchase warrants. Each common share purchase warrant entitles the holder to purchase one common share at a price of $4.25 per share until February 9, 1999. During the nine months ended December 31, 1998, 10,000 (year ended March 31, 1998 - 20,000) common share purchase warrants were exercised. Subsequent to December 31, 1998, these purchase warrants were extended to March 9, 1999. A further 15,000 warrants were exercised in the nine months ended September 30, 1999 (unaudited).

On October 23, 1998, the Company issued 850,000 common share purchase warrants. Each purchase warrant entitles the holder to purchase one common share at a price of U.S. $3.44 per share until October 23, 2000. During the nine months ended September 30 and December 31, 1998, no purchase warrants were exercised.

On July 14, 1999, the Company issued 266,000 common share purchase warrants (see note 7). Each purchase warrant entitles the holder to purchase one common share at a price of Cdn. $2.90 per share until June 30, 2000.

10. Share capital, continued

(e) Incentive stock options

At September 30, 1999, the Company has 1,614,000 (unaudited) (December 31, 1998 - 1,932,614; March 31, 1998 - 1,994,666) common shares reserved for issuance on exercise of incentive stock options whereby options to purchase shares are outstanding and are exercisable at various prices ranging from $2.80 to $6.50 per share and expire at various dates from October 11, 1999 to September 14, 2002.

ID Vaccine, the Company's majority-owned subsidiary, has issued a total of 392,000 options (the "ID Vaccine Options") to acquire common shares of ID Vaccine. Each of the ID Vaccine Options is exercisable into one common share of ID Vaccine at the price of U.S. $0.01 per common share. Of the 392,000 ID Vaccine Options issued 250,000 are held by the President of ID Vaccine Corporation and the Chief Operating Officer of the Company and are deemed to have been issued on October 6, 1998. The remainder are held by employees of ID Vaccine and are deemed to have been issued on January 29, 1999.

In order to provide employees of ID Vaccine who currently hold ID Vaccine Options with liquidity, the Company proposed to acquire the ID Vaccine Options in return for 404,368 special rights (the "Special Rights") to be issued by the Company. It was proposed that each Special Right will entitle the holder thereof to acquire a common share of the company at the price of Cdn. $0.01. In addition, the Special Rights will have the following terms:

(i) 1/3 of such Special Rights will vest on the date of issuance, subject to a voluntary six month pooling arrangement;

(ii) an additional 1/3 will vest on each of the first and second anniversaries of the date of issuance; and

(iii) the Special Rights will have standard adjustment provisions and standard provisions relating to cancellation of the Special Rights in the event an employee leaves the employment of ID Vaccine prior to the exercise of the Special Rights.

Shareholder approval was obtained at the June 25, 1999 Annual General meeting of Members for the acquisition of the ID Vaccine Options (unaudited).

10. Share capital, continued

(f) Shareholder rights plan

The Company adopted a shareholder rights plan effective May 1, 1996.

Rights issued under the plan become exercisable only when a person acquires 20% or more of the Company's outstanding common shares without complying with the Permitted Bid provision of the plan or without the approval of the Company's board of directors. To be a Permitted Bid, the plan requires that a bid must be open for not less than 60 days and that not less than 50% of the outstanding common shares held by shareholders other than the acquiring person be tendered into the bid. One right will be issued in respect of each common share outstanding on May 31, 1996 and in respect of each common share issued subsequent to May 31, 1996 and prior to an event qualifying rights issued under the plan for exercise. Each right entitles the holder to purchase common shares of the Company at a 50% discount to the then market price. The number of shares the holder would be entitled to purchase for each right held is that number determined by dividing the exercise price of $150 by one-half of the then market price per share.

(g) Weighted average number of common shares

The weighted average of common shares for the nine months ended September 30, 1999 is 15,881,567 (unaudited) (nine months ended December 31, 1998 - $15,551,102; year ended March 31, 1998 - 14,099,057; March 31, 1997 - 13,792,842; March 21, 1996 - 13,420,410; March 31, 1995 - 10,258,102).

(h) Shares held in escrow

Shares are held in escrow, at the direction of the Company, for future sale.

11. Income taxes

For Canadian tax purposes, the Company has non-capital losses for income tax purposes available at December 31, 1998 to reduce taxable income of future years. These losses will expire as follows:

1999	$ 3,445,000
2000	5,552,000
2001	3,436,000
2002	43,000
2003 and subsequent	13,600,000
	$ 26,076,000

11. Income taxes, continued

At December 31, 1998, the Company also has unclaimed tax deductions of approximately $10,976,000 including unamortized capital costs of $2,265,000, scientific research and experimental development expenditures of $8,051,000 and share issue costs of $660,000. Additionally, the Company has investment tax credits aggregating $2,244,000 available to reduce Canadian federal income taxes for up to 10 years. The potential income tax benefits relating to these losses and tax balances have not been recognized in the accounts and will be credited to earnings or share capital, as appropriate, when realized.

In addition, the Company has unclaimed tax deductions of approximately $9,000,000 for U.S. tax purposes which have not been recognized in the accounts.

12. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement is comprised of the following amounts:

	September 30, 1999	September 30, 1998	December 31, 1998
	(unaudited)		
Cash on hand and balances with banks	$ 68,044	$ 899,465	$ 340,464
Short-term investments	64,650	29,891	3,742,731
	$ 132,694	$ 929,356	$ 4,083,195

	March 31, 1998	March 31, 1997	March 31, 1996	March 31, 1995
Cash on hand and balances with banks	$ 776,429	$ 551,179	$ 1,026,593	$ 376,748
Short-term investments	1,628,833	4,970,221	4,023,026	211,714
	$ 2,405,262	$ 5,521,400	$ 5,049,619	$ 588,462

13. Commitments

The Company entered into operating lease agreements for office and laboratory space, office equipment and research contracts.

As at December 31, 1998, future minimum annual lease payments under these commitments are as follows:

1999	$ 864,000
2000	639,000
2001	619,000
2002	484,000
2003 and thereafter	122,000
	$ 2,728,000

In addition, the Company and IDV have commitments under medical technology agreements (note 6).

The Company signed a sublease dated May 15, 1999 expiring on September 30, 2003, which coincides with the original lease entered into by the Company. Future minimum sublease income as of September 30, 1999 is $900,375 (unaudited).

14. Segment disclosures

The Company organizes its business into two operating segments, gene-based disease testing and subunit vaccines.

	Nine months ended September 30, 1999			Nine months ended September 30, 1998		
	Gene-based Testing	Subunit vaccines	Total	Gene-based testing	Subunit vaccines	Total
		(unaudited)			(unaudited)	
Interest revenue	$ 33,999	$ 14,229	$ 48,228	$ 145,928	$ 19,863	$ 165,791
Interest expense	307,992	106,305	414,297	–	116,060	116,060
Depreciation and amortization	219,724	444,280	664,004	521,047	499,965	1,021,012
Non-controlling interest	–	–	–	–	28,402	28,402
Net income (loss)	(2,463,994)	(2,796,748)	(5,260,742)	(4,300,207)	(4,831,865)	(9,132,072)
Total assets	4,130,887	4,512,463	8,643,350	3,822,438	5,722,409	9,544,847
Expenditures for						
Capital assets	232,537	66,134	298,671	78,205	6,613	84,818
Medical technology	–	1,013,410	1,013,410	–	263,929	263,929
Patent rights	51,190	29,995	81,185	54,316	36,296	90,612

14. Segment disclosures, continued

	Nine months ended December 31, 1998			Year ended March 31, 1998		
	Gene-based Testing	Subunit vaccines	Total	Gene-based testing	Subunit vaccines	Total
Contract revenue	$ –	$ –	$ –	$ –	$ 167,549	$ 167,549
Interest revenue	116,455	19,935	136,390	258,583	84,864	343,447
Interest expense	24,338	125,986	150,324	–	41,401	41,401
Depreciation and amortization	157,673	443,072	600,745	549,611	473,231	1,022,842
Non-controlling interest	–	–	–	–	83,745	83,745
Net income (loss)	(5,790,064)	(3,098,800)	(8,888,864)	(7,344,316)	(2,335,487)	(9,679,803)
Total assets	5,851,557	5,990,328	11,841,885	9,238,562	5,932,471	15,171,033
Expenditures for						
Capital assets	20,887	20,613	41,500	287,733	643,847	931,580
Medical technology	–	184,394	184,394	–	234,233	234,233
Patent rights	106,796	55,030	161,826	65,335	78,416	143,751

	Year ended March 31, 1997			Year ended March 31, 1996		
	Gene-based Testing	Subunit vaccines	Total	Gene-based testing	Subunit vaccines	Total
Contract revenue	$ –	$ 337,407	$ 337,407	$ –	$ 170,000	$ 170,000
Interest revenue	470,302	175,911	646,213	547,543	67,703	615,246
Interest expense	–	–	–	–	–	–
Depreciation and amortization	182,621	315,189	497,810	322,645	172,122	494,767
Non-controlling interest	–	43,983	43,983	–	9,357	9,357
Net income (loss)	(4,976,594)	(922,588)	(5,899,182)	2,098,997	(1,532,246)	566,751
Total assets	10,656,864	7,326,537	17,983,401	12,151,971	8,303,268	20,455,239
Expenditures for						
Capital assets	183,131	39,529	222,660	203,127	1,061	204,188
Medical technology	–	–	–	–	1,572,031	1,572,031
Patent rights	122,310	–	122,310	130,773	74,689	205,462

	Year ended March 31, 1995		
	Gene-based testing	Subunit vaccines	Total
Contract revenue	$ –	$ 165,012	$ 165,012
Interest revenue	39,596	5,609	45,205
Interest expense	–	–	–
Depreciation and amortization	362,508	20,557	383,065
Non-controlling interest	–	104,568	104,568
Net income (loss)	(5,242,309)	(969,326)	(6,211,635)

Total assets	3,443,974	2,806,323	6,250,297
Expenditures for			
Capital assets	129,831	8,828	138,659
Medical technology	–	–	–
Patent rights	74,793	57,415	132,208

15. Related party transactions

During the nine months ended September 30, 1999, the Company issued 180,000 notes payable units to senior officers and directors of the Company for proceeds of U.S. $180,000 (unaudited) (see note 7).

16. Uncertainty due to the Year 2000 issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

17. Subsequent events and proposed transaction

(a) The Company issued 1,402,700 special warrants on October 29, 1999, 58,000 special warrants on December 7, 1999 and 489,300 special warrants on December 31, 1999 at a price of $2.50 per unit. The total cash proceeds from the sale of special warrants was $4,875,000. Each special warrant, upon exercise, entitles the holder to receive, for no additional consideration, one common share and one half of one share purchase warrant. Each share purchase warrant entitles the holder to acquire one common share at an exercise price of $2.75 per share at any time until October 29, 2002. In the event that a receipt for a final prospectus by the last of the applicable security commissions has not occurred on or before January 27, 2000, each holder of the special warrants will be entitled to 1.075 common shares and one half of one share purchase warrant on the exercise of each special warrant. In connection with this offering, the Company has issued to the Agent 195,000 Agents' Special Warrants, each exercisable into one common share purchase warrant. These warrants are exercisable under terms consistent with those described above, except that they will expire on October 29, 2001.

(b) On October 6, 1999, IDV achieved its first development milestone under the UTRC Agreement (see note 6(e)) after final documents were filed by the National Institutes of Health, National Institute of Allergy and Infectious Diseases. Pursuant to the UTRC Agreement, IDV is required to pay U.S. $1,000,000 in common shares of IDV upon accomplishment of this milestone.

(c) 15,113 common shares were issued as payment of Directors' fees.

(d) The Company issued approximately 160,000 stock options with exercise prices ranging from $2.16 to $6.30 expiring on various dates up to January 21, 2003.

17. Subsequent events and proposed transaction (continued)

(e) 279,000 stock options expired or were cancelled.

(f) 6,300 stock options were exercised.

(g) 266,256 common shares were issued pursuant to the conversion of convertible debentures. In addition, 24,473 common shares were issued pursuant to interest payments on the convertible debentures.

(h) On December 3, 1999, the Company entered into a non-exclusive license and distribution agreement with Mitsubishi Chemical Corporation ("Mitsubishi"), granting Mitsubishi a non-exclusive license in Japan to manufacture and develop products to detect infectious diseases from blood samples and also appointing Mitsubishi as a non-exclusive distributor of its Velogene™ Rapid MRSA Assay and its Velogene™ Rapid VRE Assay in Japan. Mitsubishi will carry out, at its own cost, all required testing to obtain approval of the Velogene™ Rapid MRSA Assay and the Velogene™ Rapid VRE Assay in Japan. In consideration for this license, Mitsubishi will pay a license issue fee to the Company of U.S.$150,000 and will make an additional milestone payment upon achieving certain regulatory requirements. Mitsubishi will pay royalties on net sales of licensed products other than the Velogene™ Rapid MRSA Assay and the Velogene™ Rapid VRE Assay products. Velogene™ Rapid MRSA Assay and Velogene™ Rapid VRE Assay products will be purchased by Mitsubishi from the Company.

(i) On January 14, 2000, the Company issued 157,072 common shares and paid U.S.$220,000 pursuant to the repayment of notes payable dated July 14, 1999 (see note 7).

CERTIFICATE OF THE COMPANY

Dated: January 25, 2000

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia) and by Part XV of the *Securities Act (*Ontario) and the respective rules and regulations thereunder.

(Signed) DR. ANTHONY F. HOLLER
President (as chief executive officer)

(Signed) TODD R. PATRICK
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

(Signed) DANIEL A. CARRIERE
Director

(Signed) DR. RICHARD BASTIANI
Director

CERTIFICATE OF THE AGENT

Dated: January 25, 2000

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia) and by Part XV of the *Securities Act (*Ontario) and the respective rules and regulations thereunder.

HAYWOOD SECURITIES INC.

By: (Signed) JOHN MEEKISON

The following indicates the name of every person or company having an interest, directly or indirectly, to the extent of not less then 5% in the capital of Haywood Securities Inc.:

John Tognetti, David Elliott, David Shepherd, David Lyall, Robert Disbrow, Eric Savics and William Vance