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 May 17, 2000

ID BIOMEDICAL CORPORATION

3,636,364 Common Shares

and

1,818,182 Common Share Purchase Warrants

This prospectus qualifies the distribution of 3,636,364 common shares (the "Common Shares") and 1,818,182 common share purchase warrants (the "Warrants") of ID Biomedical Corporation (the "Company" or "IDB") issuable upon the exercise, or deemed exercise, of 3,636,364 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 during the period commencing on the date on which the Company's shareholders approve the offering of the Special Warrants in accordance with the requirements of The Toronto Stock Exchange (the "Shareholder Approval Date") and ending at 4:30 p.m. (Vancouver time) on the date (the "Expiry Date") which is the earlier of: (a) the seventh business day after the date that is the later of: (i) the Shareholder Approval Date; and (ii) the date on which the last of the British Columbia, Alberta, Manitoba and Ontario Securities Commissions to do so issues a final receipt for this prospectus; and (b) February 23, 2001. 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.

Under the rules of The Toronto Stock Exchange (the "TSE"), the Company's shareholders must approve the issuance of the Common Shares and Warrants issuable upon the exercise or deemed exercise of the Special Warrants. If such approval is not received on or before May 23, 2000, no Common Shares or Warrants will be issued and the Special Warrants shall be void and of no further effect. In addition, the net proceeds of this offering are being held in escrow under the terms of a special warrant indenture dated February 23, 2000 between the Company and Montreal Trust Company of Canada. If the Company does not receive the approval of its shareholders to this transaction on or before May 23, 2000, the net proceeds (together with all interest accrued thereon) will be returned to the purchasers of Special Warrants. In the event that the funds held in escrow are not sufficient to repay all purchasers the full amount paid by them to purchase Special Warrants, the Company is obligated to cover such shortfall. **There can be no assurance that the Company will have the funds necessary to pay such additional amounts owing to the purchasers.**

The Special Warrants were sold pursuant to prospectus exemptions under the applicable securities legislation pursuant to an agency agreement dated as of February 23, 2000 among the Company and Dlouhy Investments Inc., Yorkton Securities Inc. and Haywood Securities Inc. (collectively, the "Agents") The offering price per Special Warrant was determined by negotiation between the Agents and the Company. The net proceeds to the Company from the sale of the Special Warrants will be approximately $18,600,000 after deducting the fee of $1,400,000 paid by the Company to the Agents 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	$5.50	$0.385	$5.115
Total	$20,000,002	$1,400,000	$18,600,002

(1) As additional consideration for their services as agent in connection with the offering, the Company also issued to the Agents, 254,545 special warrants (the "Agents' Special Warrants") exercisable, without payment of any consideration, into common share purchase warrants (the "Agents' Warrants"). Each Agents' Warrant will entitle the holder thereof to purchase an additional common share of the Company at the price of $6.50 per share for a period which is the earlier of a) fifteen business days following the date on which the weighted average trading price of the Company's Common Shares on the TSE for the preceding ten trading days is equal to or greater than $11.50 or b) the earlier of: (i) eighteen months after the date on which the last of the British Columbia, Alberta, Manitoba and Ontario Securities Commission to do so issues a final receipt for this prospectus; and (ii) November 23, 2001. This prospectus also qualifies the distribution of the Agents' Warrants on exercise of the Agents' 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 May 15, 2000, the closing price of the Common Shares was $6.50 on The Toronto Stock Exchange. On February 4, 2000, the date on which the Special Warrants were priced, the closing price of the common shares of the Company was $6.50 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 $5.50 per Common Share exceeds the net tangible book value per Common Share as at December 31, 1999 by $4.55 or 82.75% after giving effect to the issue of the Common Shares and Warrants upon the exercise of the Special Warrants. See "Dilution".

AGENTS

DLOUHY INVESTMENTS INC.

YORKTON SECURITIES INC.

HAYWOOD SECURITIES INC.

TABLE OF CONTENTS

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; a vaccine for the prevention of tuberculosis which has been licensed to Aventis Pasteur, a subsidiary of Aventis, Inc. ("AP"); and a therapeutic vaccine to prevent the onset of AIDS in people infected with the HIV virus.

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.

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

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

The Company's subsidiary, ID Vaccine Corporation ("ID Vaccine"), is developing subunit vaccines for human infectious diseases where no effective vaccines are believed to 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's lead vaccine product candidate in development is a vaccine against group A *streptococcus* that is being developed in collaboration with the University of Tennessee and the United States National Institutes of Health and is in Phase I clinical trials at the University of Maryland.

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:	3,636,364 Common Shares and 1,818,182 Warrants issuable at no additional cost, upon the exercise or deemed exercise of 3,636,364 Special Warrants previously issued by the Company.
Special Warrants:	3,636,364 Special Warrants were issued by the Company on February 23, 2000 pursuant to prospectus exemptions under applicable securities legislation at a price of $5.50 per Special Warrant. The total gross proceeds of the sale of Special Warrants was $20,000,002. The Special Warrants were issued pursuant to a special warrant indenture (the "Special Warrant Indenture") made as of February 23, 2000 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. 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:	1,818,182 Warrants will be issued in accordance with the terms of a share purchase warrant indenture (the "Share Purchase Warrant Indenture") made as of February 23, 2000, between the Company and Trustee, upon the exercise or deemed exercise of Special Warrants. Each whole Warrant will entitle the holder thereof to purchase an additional Common Share in the capital of the Company at a price of $6.50 at any time from the date of issue of the Warrants until 4:30 p.m. (Vancouver time) on the day that is the earlier of: (a) fifteen business days following the date on which the weighted average trading price of the Company's Common Shares on The Toronto Stock Exchange for the preceding ten trading days is equal to or greater than $11.50; and (b) the earlier of: (i) eighteen months after the date on which the last of the British Columbia, Alberta, Manitoba and Ontario Securities Commissions to do so issues a final receipt for this prospectus, and (ii) November 23, 2001.

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 $18,600,000. 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 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 and these efforts may be minimal or otherwise unsuccessful; 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; and 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.

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

Selected Consolidated Financial Information

	Year ended December 31, 1999	Nine Months ended December 31, 1998	Year ended March 31, 1998
Revenue	327,081	213,724	599,816
Net income (loss)			
Total	(6,966,679)	(8,888,864)	(9,679,803)
Per share (basic)	(0.43)	(0.57)	(0.69)
Long term debt	1,029,150	1,721,334	783,833
Total assets	12,203,948	11,841,885	15,171,033
Shareholders' equity	7,987,819	8,653,323	13,156,190

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 being developed in collaboration with the University of Tennessee and the United States National Institutes of Health and is currently in Phase I clinical trials; a vaccine for the prevention of tuberculosis, which has been licensed to Aventis Pasteur, a subsidiary of Aventis, Inc. (formerly the Rhone-Poulenc Group) ("AP"); 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 labour 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 ("CPT") is a proprietary method of signal amplification of a nucleic acid target where the target catalyzes the enzymatic conversion of a complementary labelled nucleic acid probe into fragments that can be detected. This catalytic reaction is generally completed in less than one hour.

The CPT system is comprised of three elements: (1) the target nucleic acid, (2) an enzyme, and (3) a proprietary nucleic acid probe which is specific to the target. The Company's commercial gene-based detection assay format called "Velogene™" is based on CPT and requires probes that are uniquely constructed using a patented method called Scissile Linkage Technology ("SLT"). The Company owns patents and patent applications covering SLT. SLT produces a proprietary synthetic composition of DNA and RNA called a "chimeric" probe.

When the Velogene™ reaction components are combined, the probe will hybridize with target DNA present in the sample (Step 1). Once the probe-target hybrid is formed, an enzyme cleaves the RNA component of the chimeric probe (Step 2). The Company uses the enzyme RNase H, which specifically cleaves the RNA strand in the RNA-DNA hybrid. However, in other versions of CPT where the

hybridization of probe and target creates a different kind of scissile link, other enzymes may be more appropriate. At the elevated temperature of the reaction the two probe fragments dissociate from the target DNA (Step 3) and are detected by various means (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 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.

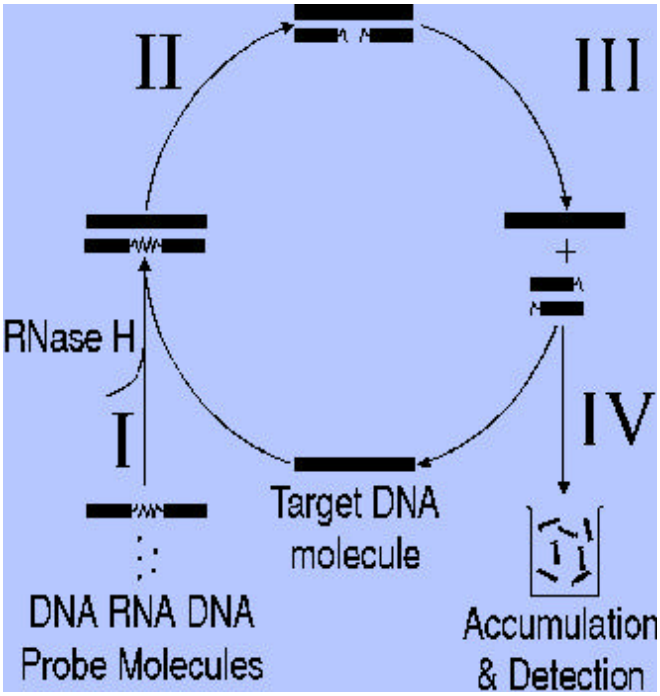
Cycling Probe™ Technology

STEP I Hybridization of probe to target DNA

STEP II Cleavage 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 during 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". 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. Under the agreement, Mitsubishi Chemical Corporation assumes responsibility for obtaining approval to sell the products in Japan.

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.

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 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. Responsibility to obtain necessary approvals in Japan has been assumed by Mitsubishi Chemical Corporation. (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. Further, 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 currently 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. 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 but believes that the test is undergoing clinical trials in at least one site. In addition, non-FDA approved tests may be marketed in the United States for "research-use only". 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 final 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 Integrated DNA Technologies, Inc. ("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 December 31, 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.

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. Patents covering CPT have been issued by the U.S. Patent and Trademark Office ("USPTO"), and corresponding 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 also filed patent applications pending with the USPTO relating to various improvements to CPT and has filed similar 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 in the U.S., Europe, Canada, Mexico and Australia 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 Group A streptococcus ("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. In addition, 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. 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 currently in clinical testing, 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 United States 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 potentially cover most or all important serotypes of GAS. The Company's goal is to commercialize a vaccine which will protect humans against the common serotypes of GAS, thereby potentially significantly reducing GAS diseases. An expanded final version of the GAS vaccine covering more serotypes is expected to be submitted to the FDA for approval to begin human testing at some point subsequent to the completion of the current Phase I testing of the prototype vaccine, assuming the Phase I results are successful. 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 GAS, creating a vaccine composition with potentially broad coverage. A data base of GAS serotypes collected and maintained by the U.S. Centers for Disease Control suggests that these 24 serotypes represent a significant majority of GAS presently found in the U.S.

On February 9, 2000, the Company announced that the prototypic vaccine was safe and well tolerated by all volunteers who received the lowest (50 microgram) dose of the vaccine. The Company now expects testing to proceed to the 100 microgram dose. (See "Regulatory Requirements").

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 AP, 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 favorable 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.

In addition to the *E. coli* vaccine, ID Vaccine is also collaborating with the University of British Columbia to develop technology invented by Dr. Brett Finlay that may serve as a platform for the oral delivery of drugs and vaccines. Key components of a system know as the "Type III Secretion System" were discovered by Dr. Finlay as part of the *E. coli* research program and are included in the *E. coli* vaccine compositions currently being tested. These components may, however, have uses beyond *E. coli* and the parties expect to test the ability of these components to deliver other vaccines as well as certain drugs to the gastrointestinal tract.

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 goals for ID Vaccine are to:

- acquire new technologies and products which target potentially large market opportunities;
- demonstrate the safety and effectiveness of these vaccines in pre-clinical (animal) studies;
- build a team of product development scientists and clinicians that can advance these vaccines through early clinical (human) trials; and
- establish 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, labeling, 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 side effects, toxicity, safety and potential efficacy 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, depending upon the results obtained, the vaccine sponsor may submit to the appropriate regulatory agency an application for marketing approval which is referred to as a product license application in the United States. Success in one phase of testing is not predictive of success (whether testing for safety or efficacy) at the next phase.

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

In accordance with the clinical trials agreement with the United States 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 United States 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 United States 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. Testing of the vaccine at the 50 microgram level has been completed and the results delivered to the DSMB. The DSMB recommended to the FDA that testing at the 100 microgram level be permitted and on February 9, 2000 the FDA notified the NIH and the Company that testing of the vaccine at the 100 microgram level in approximately 10 different volunteers may proceed. This process will be repeated with the safety and toxicity data from those receiving the 100 microgram dose prior to receiving a recommendation from the DSMB, and ultimate clearance from the FDA to test the vaccine at the 200 microgram dose. The Company can not guarantee that safety results from the 100 or 200 microgram dose will be as successful as the 50 microgram dose study. Further, there can be no assurances that studies with a 24 (or larger) valent vaccine will be allowed to proceed.

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".

ID Vaccine will be responsible for complying with all regulatory requirements for the *E. coli* vaccine and the Type III Secretion System which are licensed from the University of British Columbia.

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 Technologies, 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 are believed to 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 is typically 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 WHO 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 subunit 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 new and improved TB 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 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 AP, 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.

The Company is not aware of any *E. coli* vaccine currently undergoing testing in any human clinical trials.

Vaccine Marketing and Distribution

In accordance with the license and collaboration agreement with AP, all of the manufacturing and marketing activities in connection with the TB vaccine are the responsibility of AP. See "License and Acquisition Agreements - AP 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, assuming favorable results are achieved, 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. There can be no assurances the Company will be able to finalize such strategic alliances on terms favorable to the Company, or on any terms.

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. Under the UCLA agreement, ID Vaccine must pay royalties to UCLA or share a percentage of the royalties it receives from sublicensing. In addition, under the terms of the UCLA agreement, ID Vaccine must use diligent efforts to develop and commercialize a TB vaccine covered by UCLA's patents in order to maintain its rights under the agreement.

AP License and Collaboration Agreement. The Company and ID Vaccine have entered into a license and collaboration agreement with AP relating to ID Vaccine's TB vaccine technology. Under this agreement, AP 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. AP will pay all expenses associated with the development and commercialization of the TB vaccine. In connection with this agreement, AP received common shares of ID Vaccine representing approximately 4% of the outstanding common shares. These shares are exchangeable into common shares of the Company at the higher of 4% of the value of ID Vaccine or US$2 million. The Company expects that AP will exercise its exchange rights to receive common shares during the year 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 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 of 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, however ID Vaccine must use diligent efforts to develop and commercialize a GAS vaccine covered by UTRC's patents in order to maintain its rights under this agreement.

UBC License Agreement and Research Agreement. On April 18, 2000, ID Vaccine and the University of British Columbia entered into a license agreement pursuant to which ID Vaccine was granted a worldwide exclusive license to two pending U.S. patent applications (and corresponding patent applications in Canada) and all the know-how and materials pertaining to related technology. The technology covered by these patent applications and related technology will be used in developing potential vaccines against E. coli. In addition, a portion of this technology relates to the use of components of the "Type III Secretion System" in connection with a potential technique for the oral delivery of drugs and vaccines.

Under the license agreement, ID Vaccine agreed to pay up-front and milestone payments totaling U.S.$615,000, as well as royalties on product sales. The three specified milestones payments, which relate to the commercial development of licensed products, may be made in either cash or shares of ID Vaccine, at the option of ID Vaccine. Under the agreement, ID Vaccine must use diligent efforts to

develop and commercialize the technologies covered by UBC's patent applications in order to maintain its rights under the agreement.

Concurrently with this transaction, ID Vaccine entered into a sponsored research agreement with UBC pursuant to which it agreed to fund specific research programs with Dr. Brett Finlay as principal investigator. ID Vaccine's total obligation under this research agreement is U.S.$280,000 payable quarterly over a two year period.

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. 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.

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 favorable to the Company, or at all.

Patents and Intellectual Property

UCLA owns the U.S., Canadian and European issued patents 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 AP which is, in part, an exclusive sublicense of the UCLA Agreement. See "License and Acquisition Agreements - AP 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 AP.

UTRC owns the patent rights to several U.S. and international issued patents that cover all or a portion of the GAS vaccine that is licensed to the Company under a license agreement between UTRC and ID Vaccine. In addition, there are pending U.S. and international patent applications included within the rights licensed to ID Vaccine per the agreement. Further, any improvement patents or new GAS vaccine inventions that may be in the future developed by Dr. James Dale are also licensed to ID Vaccine under the agreement.

The University of British Columbia and the Canadian Microbiology Consortium, Inc. ("CMCI") own the rights to two United States patent applications (and to corresponding patent applications in Canada) that

cover all or a portion of the E. coli vaccine which is licensed to ID Vaccine under a license agreement with UBC (licensing the rights on behalf of itself and CMCI). In addition, claims within these patent applications cover all or a portion of the use of components from the Type III Secretion System to deliver drugs or vaccines in oral formulations. Further any improvement patents or new inventions that may be developed under a research agreement between ID Vaccine and UBC are also licensed to 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 year ended December 31, 1999, for the nine month period ended December 31, 1998 and the year ended March 31, 1998 is derived from the audited consolidated financial statements of the Company. Historic results are not necessarily indicative of the results that you may expect for any other future period.

	Year ended March 31	**Nine months ended December 31**	**Year ended December 31**
	1998	1998	1999
Statement of Operations Data:	In thousands, except per share amounts		
Revenue	600	214	327
Research & development expenses	6,287	5,595	2,891
General & Administration expenses	3,012	2,756	2,697
Interest expense	41	150	577
Net income (loss)	(9,680)	(8,889)	(6,967)
Net income (loss) per share	(0.69)	(0.57)	(0.43)
Balance Sheet Data:			
Working capital	6,393	2,938	(105)
Long term debt	784	1,721	1,029
Total assets	15,171	11,842	12,204
Shareholder's equity	13,156	8,653	7,988

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 AP, 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, if any. 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.

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 2001 for U.S. reporting purposes.

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

Year ended December 31, 1999 compared to the nine months ended December 31, 1998

The net loss for the year ended December 31, 1999 was $7.0 million ($0.43 per share) as compared to a net loss of $8.9 million ($0.57 per share) for the nine months ended December 31, 1998.

The Company had milestone payments of $220,000 and product sales of $30,809 for the year ended December 31, 1999 relating to the Company's Velogene™ Rapid MRSA Identification Assay. In addition, there was a gain of $80,078 on the sale of furniture and equipment from the Company's Burnaby facility. Increased revenues were offset during the period as a slight strengthening in the Canadian dollar resulted in a foreign exchange loss of $98,604.

Net expenses decreased 42% from the same twelve 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.

Interest expense increased significantly to $577,199 during the twelve month period as a result of the convertible debentures and from capital leases used to acquire scientific equipment.

The nine months ended December 31, 1998 compared to the year ended March 31, 1998

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 $9.7 million ($0.69 per share) for the year ended March 31, 1998. The Company had no contract revenues earned in the nine months ended December 31, 1998 compared to $167,549 earned during the year ended March 31, 1998. All of the contract revenue earned for the year ended March 31, 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 to $136,390 for the nine months ended December 31, 1998 compared to $343,447 for the year ended March 31, 1998, due to lower average cash balances throughout the year. The Canadian dollar was weaker against the U.S. dollar at December 31, 1998 compared to March 31, 1998, which resulted in a translation gain for the Company's U.S. cash balances.

Net research and development expenses for the nine months ended December 31, 1998 were $5.6 million as compared to $6.3 million for the year ended March 31, 1998. This annualized increase of 19% 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.

General and administrative expenses for the nine months ended December 31, 1998 were $2.8 million compared to $3.0 million for the year ended March 31, 1998. This annualized increase of 22% is a result of an increase in staff and associated costs in support of the Company's research and development programs.

Interest expense increased to $150,324 for the nine months ended December 31, 1998 as a result of capital leases entered into for the equipment acquired by ID Vaccine.

Liquidity And Capital Resources

Year ended December 31, 1999 compared to the nine months ended December 31, 1998

The Company's cash and term deposit position decreased from $4.1 million on December 31, 1998 to $2.6 million on December 31, 1999. This decrease relates to funding of the Company's operations and capital expenditures. The decrease was partially offset by a private placement resulting in the placement of 1,950,000 special warrants priced at $2.50 for total gross proceeds of $4,875,000. Net proceeds to the Company from this issuance were $4,332,701. Each special warrant was exercisable into one common share and one half of one share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one additional common share of the Company at $2.75 per share for a period of three years. In addition, 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 did not bear interest and matured on January 14, 2000. The Notes were 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 July 14, 2000 at the price of $2.90 per share.

During the nine months ended December 31, 1998, the Company received proceeds from an 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 U.S. $3,725,000

The Company's medical technology increased by $2.5 million during the period. As an offset, the Company's share capital increased $1 million as a result of the issuance of 355,872 shares to Meiogenics in accordance with the CPT asset purchase agreement. In addition, the Company's current liabilities increased by $1.5 million as ID Vaccine achieved its first development milestone under the UTRC agreement and is required to pay US $1 million in common shares of IDV.

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".

The nine months ended December 31, 1998 compared to the year ended March 31, 1998

The Company's cash and term deposit position decreased from $6.8 million on March 31 1998 to $4.1 million on December 31, 1998. The Company's working capital also decreased from $6.4 million on March 31, 1998 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 U.S. $4,000,000 principal amount of the Company's 6% convertible debentures due 2003. Net proceeds to the Company from this issuance were U.S. $3,725,000.

Year 2000

Even though January 1, 2000 has now passed and the Company has not experienced any immediate adverse impact from the transition to the Year 2000, the Company cannot provide assurance that its subcontractors, suppliers and customers have not been affected in a manner that is not yet apparent. In addition, certain computer programs that were date sensitive to the Year 2000 may not process the Year 2000 as a leap year, and any negative consequential effects remain unknown. As a result, the Company will continue to monitor its Year 2000 compliance and the Year 2000 compliance of its subcontractors, suppliers and customers.

DETAILS OF THE OFFERING

Pursuant to an agency agreement dated as of February 23, 2000 (the "Agency Agreement") among the Company, Dlouhy Investments Inc., Yorkton Securities Inc. and Haywood Securities Inc. (collectively, the "Agents") the Company sold to investors through the Agents acting on a best efforts basis, a total of 3,636,364 Special Warrants at the price of $5.50 per Special Warrant. The Special Warrants were issued pursuant to the terms of a special warrant indenture dated as of February 23, 2000 (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 February 23, 2000 between the Company and the Trustee, and will entitle the holder thereof to acquire one common share at the price of $6.50 per share at any time from the date of issue of the Warrants until 4:30 p.m. (Vancouver time) on the day that is the earlier of: (a) fifteen business days following the date on which the weighted average trading price of the Company's Common Shares on The Toronto Stock Exchange for the preceding ten trading days is equal to or greater than $11.50; and (b) the earlier of: (i) eighteen months after the date on which the last of the British Columbia, Alberta, Manitoba and Ontario Securities Commissions to do so issues a final receipt for this prospectus, and (ii) November 23, 2001. 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 $20,000,002 and an aggregate fee of approximately $1,400,000 was paid to the Agents in connection with the issue and sale of the Special Warrants.

The net proceeds of the offering of the Special Warrants are being held in escrow under the terms of the Special Warrant Indenture. If the Company does not receive the approval of its shareholders to this transaction on or before May 23, 2000, the aggregate subscription price paid by each purchaser for his or her Special Warrants, plus interest earned on his or her share of the net proceeds being held in escrow, will be returned to such purchaser. In the event that the funds held in escrow are not sufficient to repay to all purchasers the full amount paid by them to purchase Special Warrants, the Company is obligated to cover such shortfall. **There can be no assurance that the Company will have the funds necessary to pay such additional amounts owing to the purchasers.**

In addition, even if the Company's shareholders approve this transaction on or before May 23, 2000, if the Company does not receive final receipts for this prospectus from each of the British Columbia, Alberta, Manitoba and Ontario Securities Commissions by May 23, 2000 each holder of Special Warrants will have five business days to elect to require the Company to repurchase any or all of such holder's Special Warrants, in which case the aggregate subscription price paid by the holder for the Special Warrants being repurchased (together with all interest accrued thereon) will be returned to the holder. In the event that the funds held in escrow are not sufficient to repay all amounts payable to the purchasers who elect to cause the Company to repurchase Special Warrants, the Company is obligated to cover such shortfall. **There can be no assurance that the Company will have the funds necessary to pay such additional amounts owing to the purchasers.**

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 United States Securities Act of 1933, as amended (the "U.S. 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 U.S. 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 U.S. Securities Act.

As additional consideration for their services as agent in connection with the offering, the Company issued 254,545 Agents' Special Warrants to the Agents. The Agents' Special Warrants are exercisable, without payment of any consideration, into 254,545 Agents' Warrants. Each Agents' Warrant will entitle the holder thereof to purchase an additional common share of the Company at the price of $6.50 per share for a period which is the earlier of a) fifteen business days following the date on which the weighted average trading price of the Company's Common Shares on the TSE for the preceding ten trading days is equal to or greater than $11.50 or b) the earlier of: (i) eighteen months after the date on which the last of the British Columbia, Alberta, Manitoba and Ontario Securities Commission to do so issues a final receipt for this prospectus; and (ii) November 23, 2001. This prospectus also qualifies the distribution of the Agents' Warrants on exercise of the Agents' 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 20,951,138 common shares were issued and outstanding as of May 15, 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 IDB, 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 IDB'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 $18,480,000 after deduction of the estimated expenses of the offering which are expected to be approximately $120,000. The cash proceeds are being held in

escrow pursuant to the terms of the Special Warrant Indenture. If the Company receives such funds from escrow, it expects to use these proceeds as follows:

Use of Cash Proceeds	
Research and development	$9,794,400
General and corporate purposes	$8,685,600
Total	$18,480,000

In order of priority, resources are expected to be expended on the Company's existing vaccine programs in GAS, HIV and E. coli, including the potential delivery platform for vaccines and proteins that is related to the E. coli vaccine program. The Company will also spend proceeds on the continued manufacturing and customer/market support for its MRSA product, as well as the preclinical and clinical development of the Company's VRE product. Although priorities can change with technological, competitive, regulatory and other factors, the Company expects the above programs to continue in the same priorities over the next 2-3 years, with the possible exception of the MRSA and VRE programs, whose expenditure requirements may decrease as these products mature in the market.

The current objective for the GAS and HIV vaccines is to continue clinical testing of the product candidates. For GAS, the Company will also continue to test vaccine candidates that cover a greater number of GAS strains, ultimately resulting in a vaccine candidate that has the potential to substantially decrease the disease burden associated with GAS.

The Company's near term objective for the E. coli vaccine is to continue research towards a vaccine candidate suitable for human testing, as well as exploring the potential of the platform delivery technology that was developed in conjunction with the E. coli vaccine program, but which may have potential to deliver other vaccines and/or proteins.

The Company's objective for MRSA is to ensure its success in the commercial marketplace. The objective for VRE is to obtain regulatory approval in the United States, so that the product can be transferred to the Company's partners for worldwide approvals and product launch.

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 Dec. 31, 1999	Amount Outstanding as at April 30, 2000	Amount Outstanding as at April 30, 2000 after giving effort to this Offering[1]
Shareholders Equity				
Common Shares[2][3]	200,000,000	$43,072,607 (16,575,581 shares)	$55,075,889 (20,817,028 shares)	$73,555,891 (24,453,392 shares)
Equity Component of Convertible		3,853,781	2,266,031	2,266,031
Special Warrants		4,332,701	-	-
Class "A" Preference Shares	100,000,000			
Class "B" Preference Shares	100,000,000			
Deficit[4]		(43,271,270)	(43,271,270)	(43,271,270)
Total Shareholders' Equity		7,987,819	14,070,650	32,550,652
Long term debt and notes payable		1,456,024	577,562	577,562
Convertible debentures		844,141	501,214	501,214
Total Capitalization		10,287,984	$ 15,149,426	$ 33,629,428

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

(2) 2,148,334 Common Shares are reserved for issuance upon the exercise of outstanding options pursuant to the Company's Stock Option Plan and 3,155,684 Common Shares are reserved for issuance pursuant to the exercise of outstanding warrants.

(3) 26,247 shares are held in escrow.

(4) Does not reflect results of operations for the 4 months ended April 30, 2000.

PRIOR SALES

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

Date of Issuance	Shares	Price per Share	Aggregate Proceeds
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
January 20, 2000[3]	120,405	n/a	Nil
February 1, 2000[9]	1,950,000	n/a	Nil
February 2, 2000[8]	26,821	$0.01	268.21
February 4, 2000[8]	15,000	$0.01	150
February 4, 2000[3]	67,401	n/a	Nil
February 8, 2000[7]	3,000	$4.20	12,600
February 11, 2000[5]	15,000	U.S.$3.44	51,600(U.S.)
February 14, 2000[5]	110,000	U.S.$3.44	378,400(U.S.)
February 16, 2000[5]	30,000	U.S.$3.44	103,200(U.S.)
February 16, 2000[7]	20,000	$5.55	111,000
February 17, 2000[5]	65,000	U.S.$3.44	223,600(U.S.)
February 21, 2000[5]	12,500	$2.75	34,375.00
February 22, 2000[5]	50,000	U.S.$3.44	172,000(U.S.)
February 24, 2000[5]	190,000	U.S.$3.44	653,600(U.S.)
February 24, 2000[7]	3,366	$3.20	10,771.20
February 28, 2000[10]	90,350	$2.75	248,462.50
March 1, 2000[5]	150,000	U.S.$3.44	516,000(U.S.)
March 1, 2000 [8]	171,925	$0.01	1,719.25
March 6, 2000[5]	30,000	$2.75	82,500
March 6, 2000[5]	15,000	$2.90	43,500
March 8, 2000[3]	29,070	n/a	Nil
March 10, 2000[5]	15,000	$2.90	43,500
March 14, 2000[5]	150,000	$2.75	412,500
March 14, 2000[5]	12,100	$2.75	33,275
March 14, 2000[5]	40,000	U.S.$3.44	137,600(U.S.)

Date of Issuance	Shares	Price per Share	Aggregate Proceeds
March 14, 2000[5]	50,000	U.S.$3.44	172,000(U.S.)
March 16, 2000[5]	12,000	$2.75	33,000
March 17, 2000[5]	15,000	$2.90	43,500
March 20, 2000[3]	29,070	n/a	Nil
March 21, 2000[7]	7,500	$5.15	38,625
March 21, 2000	833	$2.16	1,799.28
March 28, 2000[5]	5,473	$2.75	15,050.76
March 30, 2000[5]	47,000	$2.75	129,250
April 3, 2000[2]	10,950	n/a	Nil
April 3, 2000[3]	116,279	n/a	Nil
April 6, 2000[1]	3,500	n/a	Nil
April 6, 2000[3]	29,070	n/a	Nil
April 10, 2000[3]	29,070	n/a	Nil
April 10, 2000[5]	8,000	$2.75	22,000
April 11, 2000[3]	29,070	n/a	Nil
April 14, 2000[5]	15,000	$2.90	43,500
April 14, 2000[5]	37,920	$2.75	104,280
April 18, 2000[5]	3,000	$2.75	8,250
April 25, 2000[5]	31,500	$2.75	86,625
April 27, 2000[5]	3,200	$2.75	8,800
May 2, 2000[3]	58,140	n/a	Nil
May 4, 2000[5]	1,900	$2.75	5,225
May 5, 2000[5]	10,000	$2.75	27,500
May 8, 2000[3]	29,070	n/a	Nil
May 10, 2000[7]	20,000	$4.40	88,000
May 15, 2000[5]	15,000	$2.90	43,500

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.

(8) Common shares issued upon exercise of Special Rights.

(9) Issuable upon the exercise, or deemed exercise of 1,950,000 special warrants previously distributed by the Company.

(10) Common shares issued upon exercise of Agents' Warrants.

PRICE RANGE AND TRADING VOLUME OF COMMON SHARES

The Company's common shares are traded on The Toronto Stock Exchange (the "TSE") in Canada under the symbol "IDB", on the Nasdaq SmallCap Market ("NASDAQ") 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 on 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 TSE 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
	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
	Third Quarter	3.70	2.40	3,102,087
	Fourth Quarter	3.95	1.77	1,239,199
2000	January	7.00	2.70	974,075
	February	10.50	4.90	3,259,962
	March	13.05	6.35	1,813,075
	April	9.40	5.20	681,331
	May 1 - 10	7.40	7.20	177,000

The following table sets forth the reported high and low prices (in U.S. dollars) and trading volume of the outstanding common shares on NASDAQ 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
	Third Quarter	2.50	1.63	3,102,087
	Fourth Quarter	2.81	1.19	4,435,479
2000	January	4.88	1.88	2,938,900
	February	7.31	3.38	10,856,300
	March	9.19	4.38	7,876,508
	April	6.25	3.50	4,038,069
	May 1 - 10	5.00	4.81	94,000

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 the Company, 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, 3.6% (undiluted) 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[(1)]	Director	President of Carriere Financial Services Inc. (venture capital 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	Director	Retired; Formerly President, Protein Design Labs, Inc. (biopharmaceutical company)
Brian J. Underdown[(1)]	Director	Vice President, MDS Capital Corporation and President, University Medical Discoveries Inc.
Ian A. Webb	Director	Partner, Borden Ladner Gervais LLP (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.

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 was, until 1999, President of Protein Design Labs, Inc. and is now a director of that company. He is also a director of Incyte Genomics, Inc. and other public and private companies. 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. Ladner Downs has since merged with several other firms to form the firm of Borden Ladner Gervais LLP.

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 year ended December 31, 1999, nine months ending December 31, 1998 and two 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]	1999	160,000			-			
President	1998[3]	108,542	-	-	58,500	-	-	-
	1998[4]	135,000	-	-	141,500	-	-	-
	1997	135,000	-	-	-	-	-	-
Todd R. Patrick[1]	1999	145,598			25,000			
Chief Operating Officer	1998[3]	98,761	-	-	175,000	-	-	-
and President, ID	1998[4]	125,891	-	-	-	-	-	-
Vaccine Corporation	1997	115,000	-	-	25,000	-	-	-
Dr. Robert N. Bryan	1999[5]	110,632			50,000			
Vice President, Research	1998[3]	115,417	-	-	100,000	-	-	-
& Development	1998[4]	150,000	-	2,600	-	-	-	-
	1997	137,808	19,200	2,600	25,000	-	-	-

(1) Todd R. Patrick was appointed Chief Operating Officer of the Company October 29, 1998 and is also President of ID Vaccine Corporation. Mr. Patrick's salary is reflected in US dollars.
(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's salary in 1999 is reflected in US dollars.

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 twelve month period ended December 31, 1999, and the value at December 31, 1999 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	-	-	125,000/75,000	8,166.34/16,333.66
Dr. Anthony F. Holler	-	-	145,000/55,000	Nil
Dr. Robert N. Bryan	-	-	83,333/66,667	16,333.66/8,166.34

Termination of Employment, Change of Responsibilities and Employment Contracts

Frank A. Holler resigned as President of the Company on October 31, 1998 and resigned as a director on February 25, 2000. 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.

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 McCoy	75,000	3.41	September 14, 1999	September 14, 2002
Brian Underdown	75,000	3.41	September 14, 1999	September 14, 2002
Jon Saxe	40,000	3.30	September 13, 1999	September 13, 2002
Dr. Richard Bastiani	50,000	2.60	October 26, 1999	October 26, 2002
Richard Murphy	40,000	2.35	November 22, 1999	November 22, 2002

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 McCoy, Richard J. Murphy, Jon S. Saxe, Brian Underdown and Ian A. Webb. Under the agreements, each non-management director will receive $12,000 per year, paid in quarterly installments 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.

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 May 15, 2000:

Holder	Common Shares under Option	Exercise Price per Common Share	Expiry Date
One employee	1,000	8.80	16-Mar-03
One employee	2,500	11.10	7-Mar-03
One employee	2,500	4.95	2-Feb-03
One employee	7,500	6.30	21-Jan-03
Six directors	410,000	4.20	18-Jan-03
One officer	300,000	4.20	18-Jan-03
One employee	2,500	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	3,334	3.20	7-Dec-01
One officer	7,000	3.20	7-Dec-01
One employee	20,000	3.50	2-Nov-01

Holder	Common Shares under Option	Exercise Price per Common Share	Expiry Date
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	4,500	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
Total:	**2,148,334**		

The following tables set out information with respect to share purchase options granted by ID Vaccine, but not yet exercised, at May 15, 2000:

Holder	Number of Special Rights issued	Number of Special Rights exercised	Exercise Price per Common Share	Expiry Date
Todd Patrick	257,888	171,925	0.01	October 6, 2002
Eight employees	143,385	41,821	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 May 15, 2000, the Company had outstanding options to purchase 2,148,334 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 or full-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 August 2000 and, based on current expenditure levels, until approximately August 2003 with the net proceeds of this offering. 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 $9.7 million. For the nine months ended December 31, 1998, the Company incurred a net loss of $8.9 million. For the year ended December 31, 1999, the Company incurred a net loss of $7.0 million. As of December 31, 1999, the Company's accumulated deficit was $43.3 million. Other than for the Velogene™ Rapid MRSA Identification Assay, 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 its continuing operations. The Company does not expect to receive significant revenues in the first few years of market introduction of the MRSA product and does not expect strategic alliance payments, product sales and royalty payments from MRSA or any of its other products 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 with the expectation of increasing its value and then, if successful, licensing or sublicensing the property to others. 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 license from Integrated DNA Technologies, Inc. ("IDNA"), which includes a sublicense to IDNA's license with the University of Iowa Research Foundation, 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 vaccine against GAS:

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 be terminated by our licensors 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 $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 has no assurances that the licenses it currently has will be maintained or that the technology or patent rights subject to the licenses will continue to be of any value to the Company.

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), several patents as well as pending patent applications in the United States and corresponding patents and patent applications filed in many countries throughout the world. The patent or patent applications are directed to the Company's Velogene™ products, Cycling Probe™ Technology, vaccine candidate for the prevention of tuberculosis, vaccine candidate against GAS, *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 with regard to issued patents, 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 or maintain the approvals it does have (currently with respect to the MRSA), 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. 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 but believes that the test is undergoing clinical trials in at least one site. In addition, non-FDA approved tests may be marketed in the United States for "research-use only". Depending on the pricing and market acceptance of this test, this product will very likely directly compete for market share with the Company's MRSA test.

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 Siga Technologies, 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 are believed to 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 is typically 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, the Company believes that 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

which is in Phase III clinical trials. Other clinical trials for HIV/AIDS vaccines include, but are not limited to those by AP, 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 or in its own facilities under what it believes to be Good Manufacturing Practices. 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, such as it has with Alexon Trend and Mitsubishi Chemical. 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 or has entered 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. 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. In addition, AP hold shares of ID Vaccine that are exchangeable into at least US$2 million of the Company's 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 AP 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.

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 December 31, 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		$5.50
Net tangible book value before this issue	$0.04	
Increase in net tangible book value attributable to this issue	$0.91	
Net tangible book value after this issue		$0.95
Dilution to purchasers of Special Warrants		$4.55
Percentage dilution in relation to price of Special Warrants		82.75%

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 May 1, 1998 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. and Mitsubishi 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 Agency Agreement referred to under "Details of the Offering".

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

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

7. 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 LLP, 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, 1999 and 1998 and the consolidated statements of operations and deficit and cash flows for the year ended December 31, 1999, the nine months ended December 31, 1998 and the year 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 Canadian 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, 1999 and 1998 and the results of its operations and its cash flows for the year ended December 31, 1999, the nine months ended December 31, 1998 and the year ended March 31, 1998 in accordance with Canadian generally accepted accounting principles.

(signed) *KPMG LLP*
Chartered Accountants
Vancouver, Canada

February 17, 2000, except as to note 16 which is as of May 17, 2000

ID BIOMEDICAL CORPORATION

Consolidated Balance Sheets

	December 31, 1999	December 31, 1998
Assets		
Current assets		
Cash and cash equivalents	$ 2,606,023	$ 4,083,195
Accounts receivable	243,301	197,722
Inventory	59,663	–
Prepaid expenses	172,816	123,821
	3,081,803	4,404,738
Capital assets (note 4)	1,833,574	2,193,396
Patent rights (note 5)	581,057	554,334
Medical technology (note 6)	6,707,514	4,689,417
	$ 12,203,948	$11,841,885
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 1,915,964 $	908,233
Notes payable (note 7)	779,600	–
Current portion of long-term debt (note 8)	320,248	318,708
Current portion of convertible debenture (note 9)	171,167	240,287
	3,186,979	1,467,228
Long-term debt (note 8)	356,176	721,738
Convertible debenture (note 9)	672,974	999,596
Shareholders' equity		
Share capital (note 10)	43,072,607	40,407,951
Special warrants	4,332,701	–
Equity element of convertible debenture and notes payable (notes 7 and 9)	3,853,781	4,282,787
Deficit	(43,271,270)	(36,037,415)
	7,987,819	8,653,323
Liquidity and future operations (note 1)		
Commitments (notes 6 and 13)		
Subsequent events (note 16)		
	$ 12,203,948	$11,841,885

See accompanying notes to consolidated financial statements.

On behalf of the Board:

(signed) *Anthony F. Holler*, Director (signed) *Daniel A. Carriere*, Director

ID BIOMEDICAL CORPORATION

Consolidated Statements of Operations and Retained Earnings (Deficit)

	Year ended December 31, 1999	Nine months ended December 31, 1998	Year ended March 31, 1998
Revenue			
Product sales	$ 30,809	$ –	$ –
Milestone payments	220,000	–	–
Contract research and development	–	–	167,549
Interest and other	174,876	136,390	343,447
Foreign exchange	(98,604)	77,334	88,820
	327,081	213,724	599,816
Expenses			
Research and development	2,890,677	5,617,093	6,336,886
Less grants	–	(21,600)	(49,395)
	2,890,677	5,595,493	6,287,491
Cost of sales	26,999	–	–
General and administrative	2,696,566	2,756,026	3,011,630
Depreciation and amortization	1,102,319	600,745	1,022,842
Interest	577,199	150,324	41,401
	7,293,760	9,102,588	10,363,364
Loss before non-controlling interest	6,966,679	8,888,864	9,763,548
Non-controlling interest	–	–	83,745
Net loss	6,966,679	8,888,864	9,679,803
Accretion of equity element of convertible debenture	267,176	20,773	–
Deficit, beginning of period	36,037,415	27,127,778	17,447,975
Deficit, end of period	$ 43,271,270	$ 36,037,415	$ 27,127,778
Net loss per share	$ 0.43	$ 0.57	$ 0.69

See accompanying notes to consolidated financial statements.

ID BIOMEDICAL CORPORATION

Consolidated Statements of Cash Flows

	Year ended December 31, 1999	Nine months ended December 31, 1998	Year ended March 31, 1998
Cash provided by (used in)			
Operating activities:			
Net loss	$ (6,966,679)	$ (8,888,864)	$ (9,679,803)
Items not affecting cash			
Depreciation and amortization	1,102,319	600,745	1,022,842
Gain on sale of property and equipment	(80,078)	–	–
Interest on convertible debenture	353,562	5,112	–
Interest on notes payable	67,926	–	–
Non-controlling interest	–	–	(83,745)
Directors fees paid in shares	87,494	60,018	39,637
Net changes in non-cash working capital balances relating to operations	853,494	277,141	332,803
	(4,581,962)	(7,945,848)	(8,368,266)
Investing activities			
Term deposits	–	4,425,084	1,149,026
Medical technology	(1,484,950)	(184,394)	(234,233)
Capital assets	(297,680)	(41,500)	(931,580)
Patent rights	(79,853)	(161,826)	(143,751)
Proceeds from sale of property and equipment	155,244	–	–
	(1,707,239)	4,037,364	(160,538)
Financing activities:			
Proceeds on issuance of:			
Common shares	63,750	243,425	5,562,599
Special warrants, net of issue costs of $542,299	4,332,701	–	–
Notes payable	779,600	–	–
Convertible debentures, net of issue costs of $753,543	–	5,542,785	–
Repayment of long-term debt	(364,022)	(199,793)	(149,933)
	4,812,029	5,586,417	5,412,666
Increase (decrease) in cash and cash equivalents	(1,477,172)	1,677,933	(3,116,138)
Cash and cash equivalents, beginning of period	4,083,195	2,405,262	5,521,400
Cash and cash equivalents, end of period (note 12)	$ 2,606,023	$ 4,083,195	$ 2,405,262

ID BIOMEDICAL CORPORATION

Consolidated Statements of Cash Flows, Continued

	Year ended December 31, 1999	Nine months ended December 31, 1998	Year ended March 31, 1998
Supplementary information			
Interest and income taxes paid			
Interest paid	$ 160,305	$ 150,324	$ 41,401
Taxes paid	$ –	$ –	$ 48,800
Non-cash transactions			
Acquisition of assets under capital lease	$ –	$ 103,330	$ 1,088,365
Shares taken into treasury as consideration for accounts receivable	$ –	$ 225,460	$ –
Directors fees paid in shares	$ 87,494	$ 60,018	$ 39,637
Remuneration in shares	$ –	$ –	$ –
Conversion of convertible debentures	$ 1,159,850	$ 40,888	$ –
Interest on convertible debentures paid in shares	$ 353,562	$ 5,112	$ –
Milestone payment paid in shares	$ 1,000,000	$ –	$ –

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 of $6,966,679, $8,888,864, $9,679,803, during the year ended December 31, 1999, nine month period ended December 31, 1998 and the year ended March 31, 1998, respectively. As at December 31, 1999 cash and cash equivalents and term deposits amounted to $2,606,023 (December 31, 1998 - $4,083,195). These consolidated financial statements have been prepared in accordance with Canadian 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 from March 31. The comparative figures are for the nine months ended December 31, 1998.

(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.

2. Significant accounting policies, continued

(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) Inventory

Inventory consists primarily of critical reagents. Inventory is valued at the lower of cost and net realizable value.

(g) Patent rights

The costs incurred to obtain patents are capitalized. Costs are amortized over the life of the patent once use of the related product commences or once the Company enters into a licensing agreement with respect to the technology. The cost of servicing the Company's patents is expensed as incurred. The Company's management evaluates the recoverability of patents on an annual basis, based on the expected utilization of the underlying technology and by assessing whether estimated future net cash flows exceed the carrying value. If patents are not considered to be fully recoverable, a provision is recognized for the unrecoverable amount.

(h) Medical technology

The costs of acquiring medical technology are capitalized. Costs are amortized over the life of the technology once use of the related product commences or once the Company enters into a licensing agreement with respect to the technology. The Company's management evaluates the recoverability of medical technology on an annual basis, based on the expected utilization of the underlying technology and by assessing whether estimated future net cash flows exceed the carrying value. If medical technology is not considered to be fully recoverable, a provision is recognized for the unrecoverable amount.

(i) Revenue recognition

Revenue from the Company's medical technology agreements including royalty payments, products sales and milestone payments are recognized on an accrual basis in accordance with the contractual arrangements with third parties and is net of amounts payable to third parties.

2. Significant accounting policies, continued

(j) Fair value of financial instruments

Carrying amounts of certain of the Company's financial instruments, including accounts receivable, accounts payable and accrued liabilities and notes payable, 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.

(k) 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.

(l) 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.

(m) 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.

(n) Comparative figures

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

3. Change in accounting policy

The Company adopted CICA Handbook Section 1540, Cash Flow Statements, for the year ended December 31, 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

	December 31, 1999		
	Cost	Accumulated depreciation and amortization	Net book value
Laboratory equipment	$ 1,471,931	$ 727,873	$ 744,058
Office furniture and equipment	485,917	349,985	135,932
Leasehold improvements	1,523,734	570,150	953,584
	$ 3,481,582	$ 1,648,008	$ 1,833,574

	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

Included in capital assets are approximately $1,191,695 (December 31, 1998 - $1,191,695) in assets under capital leases with accumulated amortization in the amount of approximately $582,395 (December 31, 1998 - $316,000).

5. Patent rights

	December 31, 1999	December 31, 1998
Cost	$ 660,237	$ 592,097
Accumulated amortization	79,180	37,763
	$ 581,057	$ 554,334

During the year ended December 31, 1999, the Company wrote off $11,712 of previously capitalized patent rights. The amount written off has been charged to amortization expense in the year ended December 31, 1999.

6. Medical technology

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

	December 31, 1999		
	Cost	Accumulated amortization	Net book value
Meiogenics Agreement (a)	$ 2,000,000	$ 116,995	$ 1,883,005
IDNA Agreement (b)	317,500	18,572	298,928
UCLA Agreement (c)	3,879,829	1,223,581	2,656,248
UTRC Agreement (e)	1,756,455	43,911	1,712,544
TheraGuide Agreement (f)	156,789	–	156,789
	$ 8,110,573	$ 1,403,059	$ 6,707,514

	December 31, 1998		
	Cost	Accumulated amortization	Net book value
Meiogenics Agreement (a)	$1,000,000	$ –	$ 1,000,000
IDNA Agreement (b)	317,500	–	317,500
UCLA Agreement (c)	3,879,829	936,206	2,943,623
UTRC Agreement (e)	271,505	–	271,505
TheraGuide Agreement (f)	156,789	–	156,789
	$5,625,623	$ 936,206	$ 4,689,417

(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.

6. Medical technology, continued

(a) Meiogenics Agreement, continued

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. 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.

(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 granted IDNA a non-exclusive license to use the Meiogenics Assets and the IDNA Assets for the sole purpose of developing, producing and marketing products, based on SLT and CPT to be used for non-medical research purposes by institutions. The Company will be entitled to receive royalties on the sale of any such products by IDNA.

In addition, 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 December 31, 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.

6. Medical technology, continued

(c) UCLA Agreement

IDV and the University of California at Los Angeles ("UCLA") entered into a licensing 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.

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 AP 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) AP Agreement

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

6. Medical technology, continued

(d) AP Agreement, continued

Under the AP Agreement, AP 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 totalling 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 AP.

In addition to the license and development fees, AP acquired a 4% equity interest in IDV for cash of U.S. $2,000,000. AP 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. If additional shares of IDV are issued to other parties, AP has the option to purchase additional IDV shares to retain their 4% equity interest in IDV.

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.

(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.

6. Medical technology, continued

(e) UTRC Agreement, continued

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 U.S. $100,000 in the period ended December 31, 1998. On the second anniversary, a U.S. $10,000 license maintenance fee was paid by IDV. On October 6, 1999, IDV achieved its first development milestone after final documents were filed by the National Institute of Health and National Institute of Allergy and Infectious Diseases. The Company is required to pay U.S. $1,000,000 in common shares of IDV upon accomplishment of this milestone. At December 31, 1999, the payment has been included in accounts payable, pending the issuance of IDV shares. 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 worldwide 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, 1999. 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

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

(g) ATI Agreement, 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 totalling 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 non-exclusive, 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.

(h) Mitsubishi Agreement

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.

7. Notes payable

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 January 14, 2000. 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 July 14, 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 December 31, 1999 are as follows:

Notes payable	$ 779,600
Less equity component of notes payable (note 9)	67,926
	711,674
Amount accreted to principal and charged as interest expense	67,926
	$ 779,600

8. Long-term debt

	December 31, 1999	December 31, 1998
Western Economic Diversification loan	$ –	$ 27,521
Obligation under capital leases	676,424	1,012,925
	676,424	1,040,446
Less current portion	320,248	318,708
	$ 356,176	$ 721,738

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.

8. Long-term debt, continued

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 December 31, 1999 required under long-term debt are as follows:

2000	$	405,435
2001		369,873
2002		11,043
		786,351
Less interest at 16%		109,927
		676,424
Less current portion		320,248
	$	356,176

9. Convertible debentures

On October 23, 1998, the Company issued convertible debentures for gross proceeds of $6,296,328 (U.S. $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 December 31, 1999 are as follows:

	December 31, 1999	December 31, 1998
Liability component	$ 844,141	$ 1,239,883
Less current portion	171,167	240,287
	$ 672,974	$ 999,596
Equity component	$ 3,497,906	$ 4,262,014
Accumulated accreted equity element of convertible debenture	287,949	20,773
	3,785,855	4,282,787
Equity component of notes payable (note 7)	67,926	–
	$ 3,853,781	$ 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.

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, 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	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, carried forward	15,588,511	40,407,951

10. Share capital, continued

(b) Common shares issued and outstanding are as follows

	Number of shares	Amount
Balance, December 31, 1998, brought forward	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	29,155	87,494
Common shares issued upon payment of convertible debenture	560,796	1,513,412
Common shares issued to Meiogenics	355,872	1,000,000
Balance, December 31, 1999	16,549,334	$ 43,072,607

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

(c) Special warrants

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.

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. Each special warrant entitles the holder to receive, for no additional consideration, one common share and one half of a share purchase warrant. Each share purchase warrant entitles the holder to acquire one common share at an exercise price of $2.75 per share until October 29, 2002. In connection with the Offering, the Company issued the Agent 195,000 Agents' special warrants, each exercisable into one share purchase warrant. Each Agents' share purchase warrant entitles the holder to acquire one common share at an exercise price of $2.75 per share until October 29, 2001. The total cash proceeds from the sale of special warrants was $4,332,701, after deducting issue expenses of $542,299.

10. Share capital, continued

(d) Common share purchase 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 year ended December 31, 1999, 15,000 (nine months ended December 31, 1998 - 10,000; year ended March 31, 1998 - 20,000) common share purchase warrants were exercised. The remaining 705,000 common share purchase warrants expired in the year.

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 year ended December 31, 1999 and the nine months ended 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 July 14, 2000. During the year ended December 31, 1999, no common share purchase warrants were exercised.

(e) Incentive stock options

Under the ID Biomedical Stock Option plan, the Company may grant options to its directors, officers and service providers (which include employees) for up to 2,331,046 shares of common stock. The exercise price of each option equals the market price of the Company's stock on the date of grant. The board of directors sets the vesting schedule and expiry date which cannot be more than ten years after the grant date. The current board resolution states that options vest 1/3 on the date of grant, 1/3 on the one year anniversary, 1/3 on the second anniversary and options expire three years after the grant date.

10. Share capital, continued

(e) Incentive stock options, continued

A summary of the status of the plan as of December 31, 1999 and changes during the year are as follows:

	December 31, 1999		December 31, 1998	
	Shares	Weighted Average	Shares	Weighted Average
Outstanding, beginning of year	1,932,614	5.59	1,980,400	8.56
Granted	632,500	3.22	1,064,000	4.77
Exercised	–	–	(36,786)	4.22
Forfeited	(1,003,614)	6.29	(1,075,000)	10.30
Outstanding, end of year	1,561,500	4.18	1,932,614	5.59
Options exercisable at year-end	909,833		1,126,243	

The following table summarizes information about the stock options outstanding at December 31, 1999:

	Options Outstanding			Options Exercisable	
Exercise Prices	Number Outstanding at December 31, 1999	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable at December 31, 1999	Weighted Average Exercise Price
2.16 - 2.80	192,500	2.78	2.56	64,167	2.56
3.20 - 3.95	542,500	2.34	3.45	227,500	3.46
4.00 - 4.95	526,000	1.57	4.87	359,333	4.85
5.10 - 5.70	300,500	0.68	5.33	258,833	5.33
	1,561,500			909,833	

10. Share capital, continued

(e) Incentive stock options, continued

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.

At the Annual General meeting of Members on June 25, 1999, it was approved that in order to provide employees of ID Vaccine who currently hold ID Vaccine Options with liquidity, the Company acquire the ID Vaccine Options in return for 404,368 special rights (the "Special Rights") to be issued by the Company. 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 second and third 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.

(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.

10. Share capital, continued

(g) Weighted average number of common shares

The weighted average of common shares for the year ended December 31, 1999 is 16,042,179 (nine months ended December 31, 1998 - 15,551,102; year ended March 31, 1998 - 14,099,057).

(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, 1999 to reduce taxable income of future years. These losses will expire as follows:

2000	$ 5,552,000
2001	3,436,000
2002	43,000
2003	4,291,000
2004 and subsequent	14,779,000
	$28,101,000

At December 31, 1999, the Company also has unclaimed tax deductions of approximately $10,491,000 including unamortized capital costs of $2,075,000, scientific research and experimental development expenditures of $7,193,000 and share issue costs of $1,223,000. Additionally, the Company has investment tax credits aggregating $2,185,000 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 $11,850,000 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:

	December 31, 1999	December 31, 1998
Cash on hand and balances with banks	$ 2,481,123	$ 340,464
Short-term investments	124,900	3,742,731
	$ 2,606,023	$ 4,083,195

	March 31, 1998
Cash on hand and balances with banks	$ 776,429
Short-term investments	1,628,833
	$2,405,262

13. Commitments

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

As at December 31, 1999, future minimum annual lease payments under these commitments are as follows:

2000	$ 286,000
2001	268,000
2002 and thereafter	176,000
	$ 730,000

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 has been included in the amounts above.

14. Segment disclosures

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

	Year ended December 31, 1999			Nine months ended December 31, 1998		
	Gene-based Testing	Subunit vaccines	Total	Gene-based testing	Subunit vaccines	Total
Product sales	$ 30,809	$ –	$ 30,809	$ –	$ –	$ –
Milestone payments	220,000	–	220,000	–	–	–
Interest and other revenue	$ 142,309	$ 32,567	$ 174,876	$ 116,455	$ 19,935	$ 136,390
Interest expense	441,488	135,711	577,199	24,338	125,986	150,324
Depreciation and amortization	459,555	642,764	1,102,319	157,673	443,072	600,745
Net income (loss)	(3,058,574)	(3,908,105)	(6,966,679)	(5,790,064)	(3,098,800)	(8,888,864)
Total assets	5,396,208	6,807,740	12,203,948	5,851,557	5,990,328	11,841,885
Expenditures for						
Capital assets	232,181	65,499	297,680	20,887	20,613	41,500
Medical technology	1,000,000	1,484,950	2,484,950	–	184,394	184,394
Patent rights	47,799	32,054	79,853	106,796	55,030	161,826

	Year ended March 31, 1998		
	Gene-based testing	Subunit vaccines	Total
Contract revenue	$ –	$ 167,549	$ 167,549
Interest and other revenue	258,583	84,864	343,447
Interest expense	–	41,401	41,401
Depreciation and amortization	549,611	473,231	1,022,842
Non-controlling interest	–	83,745	83,745
Net income (loss)	(7,344,316)	(2,335,487)	(9,679,803)
Total assets	9,238,562	5,932,471	15,171,033
Expenditures for			
Capital assets	287,733	643,847	931,580
Medical technology	–	234,233	234,233
Patent rights	65,335	78,416	143,751

15. Related party transactions

During the year ended December 31, 1999, the Company issued 180,000 notes payable units to senior officers and directors of the Company for proceeds of U.S. $180,000 (see note 7).

16. Subsequent events and proposed transaction

(a) On January 27, 2000, the Company filed, and received final receipt for, a final prospectus for the purpose of qualifying the issue of 1,950,000 common shares upon the exercise of special warrants (see note 10(c)).

(b) The Company issued 3,636,364 special warrants on February 22, 2000 at a price of $5.50 per unit. The total cash proceeds from the sale of special warrants was $20,000,002, which is currently held in escrow. Each special warrant upon exercise, entitles the holder to receive, for no additional consideration, one common share and one half of a share purchase warrant. Each share purchase warrant entitles the holder to acquire one common share at an exercise price of $6.50 per share for a period until the earlier of a) fifteen business days following the date on which the weighted average price of the Company's common shares on the TSE for the preceding ten days is equal to or greater than $11.50; and b) the earlier of i) eighteen months from the receipt of a final prospectus qualifying the distribution of the underlying common shares and warrants and agents' warrants; and ii) November 23, 2001. The Company must receive a final receipt from the respective securities regulators for a prospectus qualifying the distribution of the common shares and share purchase warrants by May 23, 2000.

(c) 9,492 common shares were issued as payment of Directors' fees.

(d) The Company issued approximately 723,500 stock options with exercise prices ranging from $4.20 to $11.10, expiring on various dates up to March 16, 2003, 75,667 stock options expired or were cancelled and 60,999 stock options were exercised.

(e) 718,882 common shares were issued pursuant to the conversion of convertible debentures. In addition, 35,423 common shares were issued pursuant to interest payments on the convertible debentures.

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

(g) 213,746 special rights were exercised (see note 10(e)) and 3,095 special rights were cancelled.

(h) 700,000 share purchase warrants were exercised at U.S. $3.44; 75,000 at $2.90 and 454,943 share purchase warrants were exercised at $2.75.

CERTIFICATE OF THE COMPANY

Dated: May 17, 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), Part 8 of the *Securities Act* (Alberta), Part VII of *The Securities Act* (Manitoba) 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 AGENTS

Dated: May 17, 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), Part 8 of the *Securities Act* (Alberta), Part VII of *The Securities Act* (Manitoba) and by Part XV of the *Securities Act (*Ontario) and the respective rules and regulations thereunder.

DLOUHY INVESTMENTS INC.

By: (Signed) PETER DLOUHY

YORKTON SECURITIES INC.

By: (Signed) MICHAEL J. DENNY

HAYWOOD SECURITIES INC.

By: (Signed) FABIO M. BANDUCCI

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:

Dlouhy Investments Inc.:	Dominik Dlouhy
Yorkton Securities Inc.:	G. Scott Paterson and Yorkton Holdings Limited
Haywood Securities Inc.:	John Tognetti, David Elliott, David Shepherd, David Lyall, Robert Disbrow, Eric Savics and William Vance