Preliminary Prospectus Dated March 17, 2000

This is a preliminary prospectus relating to these securities, a copy of which has been filed with the Securities Commission in the Province of Ontario but which has not yet become final for the purpose of a distribution. Information contained herein is subject to completion or amendment. These securities may not be sold to nor may offers to buy be accepted from, residents of such jurisdictions prior to the time a receipt for the final prospectus is obtained from the foregoing Securities Commissions.

This prospectus constitutes a public offering of these 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 offence. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended, and, subject to certain exceptions, may not be offered, sold or delivered, directly or indirectly, in the United States of America, its territories or possessions. See "Plan of Distribution".

New Issue ●, 2000

A L T A R E X

ALTAREX CORP.

$●
● Common Shares

This offering consists of a new issue of up to ● common shares ("Common Shares") of AltaRex Corp. (the "Company" or "AltaRex") being issued and sold by the Company at a price of $● per Common Share.

The offering price of the Common Shares was determined by negotiation between National Bank Financial Inc. (the "Agent") and the Company.

An investment in the Common Shares should be considered highly speculative due to the stage and nature of the Company's business. The issue price of $● per Common Share exceeds the net tangible book value per Common Share as at December 31, 1999, after giving effect to the ● Common Shares, by $● or ● %. There is no assurance that the Company's research program will lead to a commercially viable product. There is no assurance the Company will be able to develop markets for its products and the Company is subject to competition from other entities which have greater financial and technical resources. The future operations of the Company are dependent upon its ability to obtain the financing necessary to complete the research and development of its pharmaceutical products and, ultimately, upon its ability to produce, distribute and sell economically viable products to attain profitable operations. See "Risk Factors", "Dilution" and "Financial Statements".

The outstanding Common Shares are listed for trading on The Toronto Stock Exchange (the "TSE") under the trading symbol "AXO". On March 17, 2000, the last trading day prior to the filing of this prospectus, the closing price of the Common Shares on the TSE (as reported by such exchange) was $● . See "Price Range and Trading Volume of Common Shares".

Price $● per Common Share

	Price to the Public	Agency Fee[1]	Net Proceeds to the Company[2]
Per Common Share	$●	$●	$●
Total Offering	$●	$●	$●

Notes:

(1) See "Plan of Distribution".

(2) Before deducting the expenses of the offering, estimated at ● , which will be paid out of the proceeds of the offering.

The Agent conditionally offers for sale the Common Shares offered hereunder on a best efforts basis, if, as and when issued and delivered by the Company and accepted by the Agent in accordance with the conditions contained in the agency agreement between the Agent and the Company referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Company by McCarthy Tétrault, Toronto and on behalf of the Agent by Fogler, Rubinoff LLP, Toronto.

Subscriptions will be received subject to rejection or allotment, in whole or in part, and the right is reserved to close the subscription books at any time without notice. Certificates for the Common Shares will be available for delivery at the closing, which is expected to occur on or about ● , 2000, or such later date as the Company and the Agent may agree but, in any event, not later than ● , 2000.

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SUMMARY

The following is a summary only and is qualified in its entirety by the more detailed information and financial statements, including the related notes, appearing elsewhere in this prospectus. All dollar references in this prospectus are in Canadian dollars unless otherwise specifically indicated. This prospectus includes product names and trademarks of the Company and of other organizations. Certain terms referred to in this prospectus are defined in the Glossary found elsewhere in this prospectus, commencing at page 56.

The Offering

Issue:	Up to ● common shares ("Common Shares") of AltaRex Corp. (the "Company" or "AltaRex")
Price:	$● per Common Share
Amount:	$●
Use of Proceeds:	The estimated net proceeds from the offering, after deducting the agency fees and the estimated expenses of the offering of approximately $●, will be $● million. The Company intends to use the net proceeds from the sale of the Common Shares as follows:

OvaRex™ MAb antibody and clinical trial costs	$● million
Product development and clinical trial costs associated with AR54 MAb and BrevaRex™ MAb	$● million
Working capital requirements	$● million
Total	$● million

AltaRex Corp.

Overview

AltaRex Corp. (the "Company" or "AltaRex"), a corporation governed by the *Business Corporations Act* (Alberta), is engaged in the research, development and commercialization of unique antibody-based immunotherapeutics, initially for the treatment of cancer. Immunotherapy is a therapeutic approach to treat diseases by stimulating or enhancing the body's immune response. Immunotherapeutics are drugs that work by modulating the immune system to fight disease. The Company's immunotherapeutic products are based on its unique proprietary technology, Antibody-based ImmunoTherapy or AIT® Technology. Based upon research, preclinical and clinical studies to date, AltaRex believes that its AIT® Technology enhances the ability of the human immune system to produce its own anti-tumor response. The Company's lead AIT® product, OvaRex™ murine monoclonal antibody ("MAb") for ovarian cancer, is currently being evaluated in two open-label Phase II trials and two double blind placebo-controlled trials. A third controlled trial is expected to be initiated in the second quarter of this year. A second AIT® MAb, BrevaRex™ MAb for multiple myeloma, has completed a Phase I safety study without apparent toxicity. Advanced Phase II trials for both BrevaRex™ and another AIT® MAb, AR54 for ovarian cancer, are anticipated to be initiated in 2001. Based on early discovery research, the Company also believes its AIT® Technology platform can be extended to treatments for infectious and autoimmune diseases. The Company has filed seven patent applications relating to its AIT® Technology in the United States. Six of these patents have been or will be the subject of international patent applications.

AltaRex's products are modified murine monoclonal antibodies developed by the Company's scientists or licensed to the Company and are administered to cancer patients in low dosages by intravenous ("IV") infusion. The Company believes that these AIT® MAbs can be used to complement and/or supplement conventional cancer therapies. The Company also believes that its AIT® MAbs will elicit an immune response that is capable of killing cancer cells without impacting healthy cells.

OvaRex™ MAb, the Company's lead product, targets a tumor associated antigen known as CA125, which has been found to be over-expressed in greater than 80% (Bast, *et al*, International Journal of Gynecological Pathology, 1983) of ovarian cancer patients. The Company believes that when administered to patients in low dosages by IV infusion, OvaRex™ MAb acts by inducing or amplifying, through multiple mechanisms, the body's immune response against ovarian cancer. In the first quarter of 1997, the Company initiated a potentially pivotal North American OvaRex™ MAb clinical trial in Canada, with time to disease relapse as the primary endpoint. Administration of the drug to patients in the United States under this trial began in the second quarter of 1998. This double blind placebo-controlled trial has completed enrollment (345 patients as of January 2000) and is expected to be completed for primary analysis in July of 2001. A second and smaller double blind placebo-controlled OvaRex™ Mab trial was initiated in December 1998, also with time to disease relapse as its primary endpoint, and addresses an ovarian cancer patient population with a more advanced stage of disease. This trial is expected to enroll approximately 60 patients (51 enrolled as of mid-February 2000), principally in the United States, and is also scheduled for primary analysis in 2001. An additional potentially pivotal OvaRex™ clinical trial of approximately 150 ovarian cancer patients is scheduled to be initiated in the second quarter of 2000, also with time to disease relapse as the primary endpoint. Primary analysis for this trial is projected for 2002.

The Company has received Orphan Drug status and Fast Track designation from the United States Food and Drug Administration ("FDA") for OvaRex™ MAb. Clinical trials reviewed under the provisions of the FDA Modernization Act of 1997 ("FDAMA") relating to surrogate measures of efficacy, together with the completion of appropriate comparability studies of new cell culture manufactured OvaRex™ MAb, form the Company's regulatory approval strategy in the United States. The Company's controlled trials each have primary endpoints of time to disease relapse as well as secondary endpoints, including survival and quality of life, any of which can form the basis for regulatory approval. Initial results from completed and ongoing clinical trials indicate that OvaRex™ MAb is generally safe and well tolerated. These results also demonstrate preliminary evidence of clinical activity in a number of patients. For example, in a

retrospective analysis of 60 OvaRex™ treated patients (compared to 247 control patients) with relapsed ovarian cancer, 5-year survival was 40% as compared to 11% for those patients receiving only chemotherapy. Median survival was 59 months for patients receiving OvaRex™ MAb compared to 30 months for controls, a highly significant difference. Further, in an open-label Phase II trial of 13 OvaRex™ MAb treated patients conducted in Vancouver, British Columbia with relapsed ovarian cancer, results to date indicate prolonged time to disease progression and prolonged survival.

In a number of clinical studies conducted by the Company and others, OvaRex™ MAb and other AIT® antibodies have evidenced specific immune activation to a patient's own tumor. It is believed that the foreign (murine) nature of the antibody enhances immune induction without the usual toxicity associated with classical high dose murine antibody therapy. These same studies indicate that the expected and non-specific human anti-mouse antibody response, or HAMA, is actually a useful indicator of therapeutic activity, rather than toxicity. The Company attributes the association of a HAMA response and clinical benefit as resulting from the low dose administration of AIT® antibody that is targeted to a tumor associated antigen circulating in the blood. The resulting complexes of antibody and antigen are processed and the entire antigen is presented to the immune system, resulting in immune responses (humoral and cellular) to a tumor that was previously unrecognized or tolerated by the immune system. As such, the Company believes it has clinical evidence of AIT® mechanism as described in the Company's patent applications.

AltaRex is also developing additional antibody-based immunotherapeutics from its AIT® Technology for the treatment of tumors expressing the MUC1 (BrevaRex™ MAb for multiple myeloma), TAG 72 (AR54 MAb for ovarian cancer), PSA (ProstaRex™ MAb for prostate cancer) and CA19.9 (GivaRex™ MAb for gastrointestinal cancer) tumor associated antigens. The Company commenced a Phase I clinical trial of BrevaRex™ MAb in December 1998 which has been completed without apparent toxicity. The Company expects to conduct Phase II trials for both its BrevaRex™ and AR54 antibodies in 2001.

Selected Financial Information

The following selected financial information provided below has been taken from the consolidated financial statements of AltaRex contained elsewhere in this prospectus.

	Year ended December 31		
	1999	**1998**	**1997**
Income Statement Data			
Revenues	$687,710	$1,013,742	$1,619,836
Expenses			
Research and development	12,828,617	9,433,681	4,733,918
General and administration	6,802,546	4,695,990	1,563,555
Settlement costs	5,074,714	-	-
Net loss	$(24,018,167)	$(13,115,929)	$(4,677,637)
Net loss per common share	$(0.58)	$ (0.79)	$(0.29)
Weighted average number of common shares	41,389,736	16,503,764	15,894,880

	As of December 31	
	1999	1998
Balance Sheet Data	$	$
Cash & cash equivalents	2,328,641	8,581,688
Short-term investments	4,878,039	4,241,732
Working capital	5,057,620	10,997,161
Total assets	8,567,429	15,159,774
Shareholders' equity	6,217,956	12,646,840

Risk Factors

The acquisition of Common Shares offered hereunder entails certain risks and any investment in Common Shares should be considered as being highly speculative. See "Risk Factors" for a description of certain of the risks that should be considered in assessing an investment in the Common Shares, including the following: (i) capital requirements (ii) no assurance of successful development or market acceptance; (iii) reliance on strategic relationships; (iv) possible termination of licence agreement for MAb B43; (v) uncertainty associated with preclinical and clinical testing; (vi) lack of product revenues - history of losses; (vii) key personnel; (viii) regulatory environment - no assurance of product approval; (ix) competition; (x) proprietary rights and patent protection; (xi) manufacturing and marketing; (xii) product liability and insurance;and (xiii) unstable share price. See “Risk Factors”.

RISK FACTORS

Investors should carefully consider the risks and uncertainties described below before making an investment decision. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company or that the Company currently deems immaterial may also impair the Company's business operations. If any of the following risks actually occur, the Company's business, financial condition and operating results could be materially harmed. In such case, the trading price of the Common Shares would likely decline and an investor could lose all or part of their investment.

Risks Associated with the Company's Business

Capital Requirements

As of December 31, 1999, the Company had cash, cash equivalents and short-term investments of $7.2 million. The Company believes that its available cash, cash equivalents and short-term investments, including the proceeds of the sale of Special Warrants on February 29, 2000, the proceeds of this offering and interest earned thereon, should be sufficient to finance its operations and capital needs beyond 2001 and through the filing of an application with the FDA for marketing approval for OvaRex™ MAb. The Company's future capital requirements will depend on many factors, including continued scientific progress in its product discovery and development program, progress in its preclinical and clinical evaluation of product candidates, time and expense associated with filing, prosecuting and enforcing its patent claims and costs associated with obtaining regulatory approvals.

While the Company believes that currently available funds and the proceeds of this offering will be sufficient to fund operations beyond 2001, if additional funding is necessary, the Company will seek such additional funding through public or private equity or debt financing from time to time, as market conditions permit, or through strategic relationships with pharmaceutical or large biotechnology companies. These activities would likely result in the issuance of additional equity securities of the Company. There can be no assurance that additional funding will be available or, if available, that it will be available on acceptable terms. If adequate funds are not available, the Company may have to reduce substantially or eliminate expenditures for research and development, testing, production and marketing of its proposed products, or obtain funds through arrangements with corporate partners that require the Company to relinquish rights to certain of 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 ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing if needed or that any such additional financing will be available on terms satisfactory to the Company.

No Assurance of Successful Development or Market Acceptance

Prospects for companies in the biotechnology industry generally may be regarded as uncertain given the nature of the industry and, accordingly, investments in biotechnology companies should be regarded as highly speculative. The Company's realization of its long-term potential will be dependent upon the successful development and commercialization of products currently under development. There can be no assurance that these products will be developed successfully or receive regulatory approval. The new products of the Company are currently in the research and development stages, the riskiest stages for a company in the biotechnology industry. There can be no assurance that the research and development programs conducted by the Company will result in commercially viable products. To achieve profitable operations, the Company, alone or with others, must successfully develop, introduce and market its products. To obtain regulatory approvals for the products being developed and to achieve commercial

success, clinical trials must demonstrate that the products are safe for human use and that they demonstrate efficacy. Unsatisfactory results obtained from a particular study relating to a program may cause the Company to abandon its commitment to that program. No assurances can be provided that any future animal or human test, if undertaken, will yield favourable results.

There can be no assurance that any products successfully developed by the Company, if approved for marketing, will ever achieve market acceptance. The Company's products, if successfully developed, will compete with a number of traditional drugs and therapies manufactured and marketed by major pharmaceutical and other biotechnology companies, as well as new products currently under development by such companies and others. The degree of market acceptance of any products developed by the Company will depend on the clinical efficacy and safety of the product candidates, their potential advantage over alternative treatment methods, and reimbursement policies of government and third-party payors. There can be no assurance that physicians, patients or the medical community in general will accept and utilize any products that may be developed by the Company, and the lack of such market acceptance would have a material adverse effect on the Company's business, financial condition and results of operations.

Reliance on Strategic Relationships

The Company's future success is dependent on the development and maintenance of strategic relationships. The Company is not presently a party to any strategic relationship relating to any of its products, including OvaRex™ MAb. The Company intends to seek to enter into strategic relationships with strategic partners to participate in and finance the later stage clinical development of products and/or to commercialize product(s). Alternatively, the Company may elect to market an AIT® product(s) on its own.

If the Company fails to enter into such strategic relationships on terms favorable to the Company or if these strategic partners fail to effectively complete the clinical trials, the regulatory approval of such products may be delayed, and such delay may have a materially adverse effect on the Company's results of operations and business. The Company may also rely on strategic partners to market its products. If the Company fails to enter such strategic partnerships or if these strategic partners fail to effectively market such products, the Company may lose the opportunity to successfully commercialize the products. There can be no assurance that the Company will be able to enter these strategic partnerships on terms that are acceptable to the Company. Similarly if the Company decides to market an AIT® product(s) on its own, there can be no assurance that the Company will be successful in developing or commercializing the product(s).

The Company does not manufacture its own antibodies but has, and will seek to enter into, agreements with third parties to manufacture its antibodies. Pursuant to the Draximage Alliance Agreement referred to below under "Business-Draximage Inc.", Draximage Inc. will fill/finish OvaRex™ MAb vials for clinical trials and may have certain contingent rights with respect to the manufacture and/or marketing in Canada of the OvaRex™ MAb drug for commercial purposes. In addition, the Company is working with other vendors to fill/finish OvaRex™ MAb vials. The Company has an agreement with Lonza Biologics plc to scale-up OvaRex™ MAb cell culture-derived material to the commercial level. Similarly the Company is working with Lonza and other vendors to begin the scale-up processes for cell culture BrevaRex™ and AR54 MAbs and to fill/finish BrevaRex™ and AR54 MAbs vials. If these contract suppliers fail to perform under the terms of the agreement, the Company may incur significant costs and risks.

Scaling-up production of cell culture-derived materials will enable the Company to further pursue regulatory approval and commercialization of OvaRex™ MAb. Such regulatory approval and commercialization is dependent upon the Company's ability to achieve such production.

The Company also relies on a number of alliances and collaborative partnerships for the development of its products. There is no guarantee that these relationships will continue or result in any successful developments.

Possible Termination of License Agreement for MAb B43

The Company's OvaRex™ MAb incorporates technology licensed in 1995 from Biomira, Inc. During 1999, the Company and Biomira were engaged in litigation relating to the ownership of certain intellectual property and alleged breaches of certain obligations under the Biomira License Agreement referred to below under "Business – Biomira License Agreement" and related matters. The Company and Biomira settled the litigation in September 1999 and entered into an amended and restated license agreement relating to the B43 Technology (the "Amended Agreement").

Under the terms of the Amended Agreement, the Company has undertaken a number of obligations, including an obligation to use its best efforts to commercialize the B43 Technology, certain reporting obligations and the payment of royalties on sales of OvaRex™ MAb-based products. Under the terms of the Amended Agreement, either party has the right to terminate the Amended Agreement upon 45 days prior written notice if the other party defaults in the performance, observance or fulfillment of any of its obligations under the Amended Agreement and fails to cure the breach within the 45-day period. Although the Company believes that it is currently in compliance with all of the terms of the Amended Agreement and intends to continue to comply with such terms, there can be no assurance that the Company will be able to continue to meet its obligations under the Amended Agreement. Should the Company's rights under the Amended Agreement be terminated by Biomira, such termination would have a material adverse effect on the Company's business, results of operations, and financial condition, as well as its ability to market and develop commercially viable products based on the B43 Technology.

Uncertainty Associated with Preclinical and Clinical Testing

The Company has not completed the clinical trials necessary to confirm the efficacy of its AIT® Technology. As a result, while the preliminary results from trials with its OvaRex™ MAb product are encouraging, there can be no assurance that the Company's products will demonstrate sufficient therapeutic benefit in the treatment of cancer patients that would lead to obtaining regulatory approval.

Before obtaining regulatory approvals for the commercial sale of any of the Company's potential new products, the products will be subjected to extensive preclinical and clinical testing to demonstrate their safety and efficacy in humans. Results of the initial preclinical and clinical testing of products under development by the Company or any interim analyses of clinical trials are not necessarily indicative of results that will be obtained from subsequent or more extensive preclinical and clinical testing. Furthermore, there can be no assurance that clinical trials of products under development will be completed or will demonstrate the safety and efficacy of such products at all or to the extent necessary to obtain regulatory approvals. Companies in the biotechnology industry have suffered significant setbacks in advanced clinical trials, even after achieving promising results in earlier trials. The failure to adequately demonstrate the safety and efficacy of a therapeutic product under development could delay or prevent regulatory approval of such product.

The rate of completion of clinical trials depends on, among other factors, the enrollment of patients. Patient accrual is a function of many factors, including the size of the patient population, the proximity of patients to clinical sites, the eligibility criteria for the study and the existence of competitive clinical trials. Delays in planned patient enrollment in the Company's current clinical trials or future clinical trials may result in increased costs, program delays, or both.

Lack of Product Revenues; History of Losses

To date, the Company has not recorded any revenues from the sale of biopharmaceutical products and there can be no assurance that significant additional losses will not occur in the near future or that the Company will be profitable in the future. The Company has accumulated net losses of approximately $44.2 million to December 31, 1999. The Company anticipates that it will continue to incur significant operating

losses as it advances its products through development, clinical trials and commercialization. The amounts and timing of expenditures will depend on the progress of ongoing research and development, the results of preclinical testing and clinical trials, the rate at which operating losses are incurred, the execution of any development and licensing agreements with strategic partners, the Company's development of additional products, the FDA, Health Protection Branch ("HPB") in Canada, and the European Medicines Evaluation Agency ("EMEA") and other regulatory processes and other factors, many of which are beyond the Company's control.

The Company does not expect to receive revenues from commercial sales of its new products for several years, if at all. The Company expects to continue to incur losses unless and until such time as strategic alliance payments, product sales and royalty payments generate sufficient revenues to fund its continuing operations. The ability of the Company to achieve profitability in subsequent years depends upon, among other things, successfully completing product development efforts and obtaining regulatory approval for its lead clinical products. The development of the Company's products will require the commitment of substantial resources to conduct the time-consuming development of products to meet market and regulatory requirements and to establish strategic relationships for production capabilities. There can be no assurance that the Company will generate any revenues or achieve profitability.

The Company has two licensing agreements that require payments of royalties based on sales of the OvaRex™ MAb. On the successful commercialization of OvaRex™ MAb, the Company will be required to pay royalties from the gross revenue received by the Company on the sale of this product. There can be no assurance that the Company will generate sufficient revenues from the sale of OvaRex™ MAb to achieve profitability.

The Company anticipates that, based on its current operating plan, its existing cash reserves, including the net proceeds from the sale of Special Warrants, are sufficient to meet its planned cash requirements until the fourth quarter of 2000. Beyond that, the Company intends to rely on cash from this offering and, if any, cash generated from licensing revenues, collaborative agreements and other capital-raising activities which will be highly dependent on the Company's successful development and commercialization of its clinical products. There can be no assurance that these products will be successfully developed or commercialized or that the underlying assumed levels of expenses will prove to be accurate.

Key Personnel

The Company is highly dependent on its senior officers, scientific personnel, consultants and management staff, the loss of whose services might significantly delay or prevent the Company's achievement of its scientific or business objectives. Competition among biotechnology and biopharmaceutical companies for qualified employees is intense, and the ability to retain and attract qualified individuals is critical to the Company's success. There can be no assurance that the Company will be able to attract and retain such individuals currently or in the future on acceptable terms, or at all, and the failure to do so would have a material adverse effect on the Company's business, financial condition and results of operations.

Regulatory Environment; No Assurance of Product Approval

The FDA, HPB, EMEA and comparable agencies in foreign countries impose substantial requirements on biotechnology and pharmaceutical companies prior to the introduction of therapeutic products. These requirements include lengthy and detailed laboratory and clinical testing procedures, sampling activities and other costly and time-consuming procedures, together which involve the expenditure of substantial resources. Satisfaction of these requirements typically takes a number of years and varies substantially based on the type, complexity and novelty of the pharmaceutical product.

Any future FDA, HPB, EMEA or other governmental approval of products developed by the Company may entail limitations on the indicated uses for which such product may be marketed. Approved products may be subject to additional testing and surveillance programs as required by regulatory agencies. In addition, product approvals may be withdrawn or limited for noncompliance with regulatory standards or the occurrence of unforeseen problems following initial marketing.

The effect of governmental regulation may be to delay marketing the Company's products for a considerable period of time, to impose costly requirements on the Company's activities or to provide a competitive advantage to other companies that compete with the Company. Adverse clinical results could have a negative impact on the regulatory process and timing. A delay in obtaining or failure to obtain regulatory approvals could adversely affect the marketing of the Company's products and the Company's liquidity and capital resources. In addition, future legislation or administrative action may result in governmental regulations adverse to the Company. The extent of potentially adverse governmental regulation that might arise from future legislation or administrative action cannot be predicted.

To date, the Company has submitted Investigational New Drug Applications ("INDs") to the HPB and FDA for OvaRex™ MAb and BrevaRex™ MAb products, but has not submitted such documentation for other products currently under development. There can be no assurance that the Company will obtain regulatory approval to commercialize OvaRex™ MAb and BrevaRex™ MAb, or that it will be in a position to file the regulatory applications for its future products.

The Company has developed in conjunction with the FDA a clinical plan to study the comparability of cell culture-based OvaRex™ MAb with its current ascites-based material. The establishment of a clinical development plan or program in conjunction with regulatory authorities provides no assurance that such plan or program will be sufficient to gain regulatory approval of a product upon submission of a licensing application. The insufficiency of a program could delay or prevent regulatory approval of such product.

Competition

Technological competition in the pharmaceutical industry is intense. There are many companies and institutions, both public and private, including pharmaceutical companies, chemical companies, specialized biotechnology companies and research, government or academic institutions, that are engaged in developing synthetic pharmaceuticals and biotechnological products for human therapeutic applications, including the applications targeted by the Company. The Company may have to compete with these competitors to develop products aimed at treating similar conditions. Many of these competitors have substantially greater resources than the Company. There can be no assurance that developments by others will not render the Company's products or technologies non-competitive or adversely affect the commitment of the Company's commercial collaborators to the Company's programs.

The pharmaceutical industry is also characterized by extensive research efforts and rapid technological change. Competition can be expected to increase as technological advances are made and commercial applications for biopharmaceutical products increase. Competitors of the Company may use different technologies or approaches to develop products similar to products which the Company is seeking to develop, or may develop new or enhanced products for processes that may be more effective, less expensive, safer or more readily available before the Company obtains approval of its products. There can be no assurance that the Company's products will compete successfully or that research and development will not render the Company's products obsolete or uneconomical.

Proprietary Rights and Patent Protection

Due to the length of time and expense associated with bringing new products through development and the governmental approval process to the marketplace, the pharmaceutical industry has traditionally

placed considerable importance on obtaining and maintaining patent and trade secret protection for significant new technologies, products and processes.

The patent protection afforded to biotechnology and pharmaceutical firms is uncertain and involves many complex legal, scientific and factual questions. There is no clear law or policy involving the breadth of claims allowed in such cases, or the degree of protection afforded under patents. These issues are further complicated in this field by the abundance of publications and/or prior art, including publications by the Company. Thus, while the Company believes that its proprietary information is protected to the fullest extent practicable, there can be no assurance that (i) any patents will be issued to the Company in any or all appropriate jurisdictions, (ii) litigation will not be commenced seeking to challenge the Company's patent protection or that such challenges will not be successful, (iii) processes or products of the Company do not or will not infringe upon the patents of third parties, or (iv) the scope of patents that may be issued to the Company will successfully prevent third parties from developing similar and competitive products. It is not possible to predict how any patent litigation will affect the Company's efforts to develop, manufacture or market its products. The cost of litigation to uphold the validity and prevent infringement of any patents issued to the Company may be significant.

The products developed by the Company also incorporate technology and processes that will not be protected by any patent and are capable of being duplicated or improved upon by competitors. Accordingly, the Company may be vulnerable to competitors, which develop competing technology, whether independently or as a result of acquiring access to the proprietary products and trade secrets of the Company. In addition, the Company may be required to obtain licenses under patents or other proprietary rights of third parties. No assurance can be given that any licenses required under such patents or proprietary rights will be available on terms acceptable to the Company. If the Company does not obtain such licenses, it could encounter delays in introducing one or more of its products to the market while it attempts to design around such patents, or could find that the development, manufacture or sale of products requiring such licenses could be foreclosed.

There can be no assurance that the Company’s patent applications will mature into issued patents, or will afford legal protection against competitors, or will provide significant proprietary protection or competitive advantage. In addition, there can be no assurance that the Company’s patents will not be held invalid or unenforceable by a court, infringed or circumvented by others or that others will not obtain patents that the Company would need to license or circumvent. Competitors or potential competitors may have filed patent applications or received patents, and may obtain additional patents and proprietary rights relating to the products or processes competitive with those of the Company.

Manufacturing and Marketing

The Company has limited experience in manufacturing biopharmaceuticals. The Company intends to rely primarily on contract manufacturers to produce antibodies and other components of its products for research and development, preclinical and clinical trial purposes. The Company's products have never been manufactured on a commercial scale, and there can be no assurance that such products can be manufactured at a cost or in quantities necessary to make them commercially viable. There can be no assurance that third party manufacturers will be able to meet the Company's needs with respect to timing, quantity or quality. If the Company is unable to contract for a sufficient supply of required products and substances on acceptable terms, or if it should encounter delays or difficulties in its relationships with manufacturers, the Company's preclinical and clinical testing would be delayed, thereby delaying the submission of products for regulatory approval or the market introduction and subsequent sales of such products. Any such delay may have a material adverse effect on the Company's business, financial condition and results of operations. Moreover, contract manufacturers that the Company may use must continually adhere to current Good Manufacturing Practices (“cGMP”) regulations enforced by the FDA through its facilities inspection program. If the facilities of such manufacturers cannot pass a pre-approval plant inspection, the FDA premarket approval of the Company's products will not be granted.

The Company currently has no sales, marketing or distribution experience. The Company intends to rely on its future strategic partners to market its products; however, there can be no assurance that such corporate partners have effective sales forces and distribution systems. If the Company is unable to maintain or establish such relationships and is required to market any of its products directly, the Company will have to develop a marketing and sales force with technical expertise and with supporting distribution capabilities. There can be no assurance that the Company will be able to maintain or establish such relationships with third parties or develop in-house sales and distribution capabilities. To the extent that the Company depends on its strategic partners or third parties for marketing and distribution, any revenues received by the Company will depend upon the efforts of such strategic partners or third parties, and there can be no assurance that such efforts will be successful.

Product Liability and Insurance

The testing, marketing, sale and use of products under development by the Company may entail risk of product liability. Such risk exists in human clinical trials and even with respect to those products that receive regulatory approval for commercial sale. There can be no assurance that the Company can avoid significant product liability exposure. The Company currently has in place product liability insurance for its biopharmaceutical products and expects that as it expands, it will require additional insurance. There can be no assurance that it will be able to obtain appropriate levels of product liability insurance prior to any sale of its biopharmaceutical products. An inability to obtain insurance on economically feasible terms or to otherwise protect against potential product liability claims could inhibit or prevent the commercialization of products developed by the Company. The obligation to pay any product liability claim or recall a product could have a material adverse effect on the business, financial condition and future prospects of the Company.

Risks Relating to this Offering and the Company's Corporate Charter

Unstable Share Price

Market prices for securities of biotechnology companies generally, and of common shares in particular, are volatile. Factors such as announcements (publicly made or at scientific conferences) of technological innovations, new commercial products, patents, the development of proprietary rights by the Company or others, results of clinical trials, regulatory actions, publications, quarterly financial results or public concern over the safety of biotechnological products, future sales of Common Shares by the Company or by its current shareholders and other factors could have a significant effect on the market price of the Common Shares.

Ownership of the Company's Common Shares

Following this offering, the Company's executive officers, directors and certain existing shareholders who each hold in excess of 10% or more of the outstanding Common Shares, and their respective affiliates, will, in the aggregate, beneficially own approximately ● % of the outstanding Common Shares. These shareholders, if they vote together, will be able to influence significantly matters that the Company's shareholders are required to approve, including electing directors and approving significant corporate transactions. This concentration of ownership could make it more difficult for a third party to acquire control of the Company by, for example, discouraging an unsolicited acquisition proposal or a proxy contest, the effect of which may be to deprive the Company's shareholders of a control premium that might otherwise be realized in connection with an acquisition of the Company.

Future sales of Common Shares in the public market could cause the Company's share price to fall and decrease the value of an investor's investment

The market price of the Common Shares could decline if the Company's existing shareholders sell substantial amounts of their Common Shares, including shares issued upon the exercise of outstanding options, in the public market following this offering. These sales might also make it more difficult for the Company to sell equity securities in the future at a time and price that the Company deems appropriate.

The Company's board of directors may issue, without shareholder approval, additional Common Shares and preferred shares that could have rights and preferences superior to those of Common Shares, which issuances may delay or prevent a change of control

The Company's Board of Directors may issue an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in one or more series, without any vote or action by the Company's shareholders. If the Company issues any additional Common Shares or any preferred shares, the percentage ownership of existing shareholders may be reduced and diluted. In addition, the Company's Board of Directors may determine the price, rights, preferences, privileges and restrictions, including voting, dividend and conversion rights, of the preferred shares and determine to whom they shall be issued. After this offering, there will be no preferred shares outstanding and the Company has no present plans to issue any preferred shares. However, the rights of the holders of any preferred shares that may be issued in the future may be senior to the rights of holders of Common Shares, which could preclude holders of Common Shares from receiving dividends, proceeds of a liquidation or other benefits. The issuance of preferred shares, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could make it more difficult for a third party to acquire control of the Company by, for example, discouraging an unsolicited acquisition proposal or a proxy contest, the effect of which may be to deprive the Company's shareholders of a control premium that might otherwise be realized in connection with an acquisition of the Company. See "Description of Share Capital".

ALTAREX CORP.

Corporate Structure

AltaRex Corp. ("AltaRex" or the "Company") is a corporation amalgamated under the laws of the Province of Alberta. On June 27, 1997 articles of amendment were filed to provide that meetings of shareholders may be held at any place within Canada and the United States. The registered office of AltaRex is located at Campus Tower, Suite 300, 8625 – 112 Street, Edmonton, Alberta T6G 2E1. The executive offices of AltaRex are located at Suite 125, 303 Wyman Street, Waltham, Massachusetts 02451.

AltaRex US, Corp. ("AltaRex US"), the Company's only subsidiary, was incorporated under the laws of the State of Delaware and is wholly-owned by the Company. With offices located in Waltham, Massachusetts, AltaRex US directs the executive, business development, clinical, regulatory, development, manufacturing and investor relations efforts of the Company.

History

AltaRex was founded in November 1995 by Dr. Antoine Noujaim and a team of collaborators to commence a business engaged in the discovery and development of anti-cancer immunotherapeutics. Prior to founding AltaRex, Dr. Noujaim was President of Biomira Research Inc. ("Biomira Research"), a wholly-owned subsidiary of Biomira Inc. ("Biomira"). The Company believes that in 1995 Biomira decided to discontinue funding the operations of Biomira Research. Dr. Noujaim and other collaborators believed that the B43 antibody research project undertaken by Biomira Research (known as the OvaRex™ MAb Program) had the potential to be further developed into a commercial product. As a result, in November 1995, AltaRex acquired certain components of the OvaRex™ MAb Program and the OvaRex™ MAb tradename and trademark from Biomira and Biomira Research and entered into an exclusive licensing agreement with Biomira pursuant to which it acquired the exclusive worldwide right to use, develop,

manufacture and commercialize (for anti-idiotype induction therapy applications) products based on the B43 antibody. See "Business of AltaRex – Strategic Alliances and License Agreements – Biomira License Agreement" and "Legal Proceedings".

BUSINESS

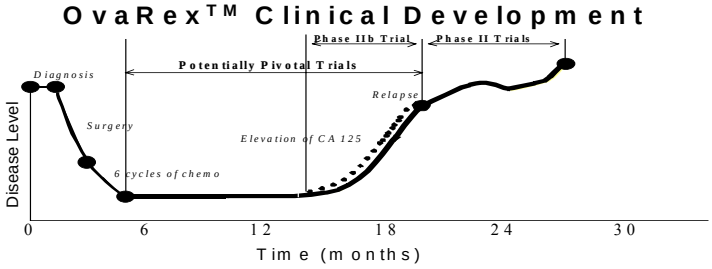
Certain terms referred to in this prospectus are defined in the Glossary found elsewhere in this prospectus, commencing at page 56.

Overview

AltaRex is engaged in the research, development and commercialization of unique antibody-based immunotherapeutics, initially for the treatment of cancer. Immunotherapy is a therapeutic approach to treat diseases by stimulating or enhancing the body's immune response. Immunotherapeutics are drugs that work by modulating the immune system to fight disease. The Company's immunotherapeutic products are based on its unique proprietary technology, Antibody-based ImmunoTherapy or AIT® Technology. Based upon research, preclinical and clinical studies to date, AltaRex believes that its AIT® Technology enhances the ability of the human immune system to produce its own anti-tumor response. The Company's lead AIT® product, OvaRex™ MAb for ovarian cancer, is currently being evaluated in two open Phase II and two double blind placebo-controlled trials. A third controlled OvaRex™ trial is expected to be initiated in the second quarter of this year. A second AIT® MAb, BrevaRex™ MAb for multiple myeloma, has completed a Phase I safety study without apparent toxicity. Advanced Phase II trials for both BrevaRex™ and another AIT® antibody, AR54 for ovarian cancer, are anticipated to be initiated in 2001. Based on early discovery research, the Company also believes its AIT® Technology platform can be extended to infectious and antoimmune diseases. The Company has filed seven patent applications relating to for its AIT® Technology in the United States. Six of these patents have been or will be the subject of international patent applications.

AltaRex's products are modified murine monoclonal antibodies ("MAbs") developed by the Company's scientists or licensed to the Company and are administered by intravenous infusion in low dosages to cancer patients. The Company believes that these AIT® MAbs can be used to complement and/or supplement conventional cancer therapies. The Company also believes that its AIT® products will elicit an immune response that is capable of killing cancer cells without impacting healthy cells.

OvaRex™ MAb, the Company's lead product, targets a tumor associated antigen known as CA125 which has been found to be over-expressed in greater than 80% of ovarian cancer patients. The Company believes that when administered to patients in low dosages by IV infusion, OvaRex™ MAb acts by inducing or amplifying, through multiple mechanisms, the body's immune response against ovarian cancer. The Company has initiated a number of clinical studies to assess efficacy of OvaRex™ MAb in various ovarian cancer patient populations as indicated in the following schematic.



In the first quarter of 1997, the Company initiated a potentially pivotal North American OvaRex™ MAb clinical trial in Canada with time to disease relapse as the primary endpoint. Administration of the drug to patients in the United States under this trial began in the second quarter of 1998. This double blind placebo-controlled trial has completed enrollment (345 patients as of January 2000) and is expected to be completed for primary analysis in July of 2001. A second and smaller double blind placebo-controlled trial was initiated in December 1998, also with time to disease relapse as its primary endpoint, and addresses an ovarian cancer patient population with a more advanced stage of disease. This trial is expected to enroll approximately 60 patients (51 enrolled as of mid February 2000), principally in the United States, and is also scheduled for primary analysis in 2001. An additional potentially pivotal OvaRex™ trial of approximately 150 patients is scheduled to begin in the second quarter of 2000, also with time to disease relapse as the primary endpoint. Primary analysis for this trial is projected for 2002.

The Company has received Orphan Drug status and Fast Track designation from the United States Food and Drug Administration ("FDA") for OvaRex™ MAb. Clinical trials reviewed under provisions of the FDA Modernization Act of 1997 ("FDAMA") relating to surrogate measures of efficacy, together with the completion of appropriate comparability studies of new cell culture manufactured OvaRex™ MAb, form the Company's regulatory approval strategy in the United States. The Company's controlled trials each have primary endpoints of time to disease relapse as well as secondary endpoints, including survival and quality of life, any of which can form the basis for regulatory approval. The overall clinical program is summarized as follows:

OvaRex MAb Development

Indication	Endpoint Target	Patients	Completion
Lead trial	TTR[1] Survival	344	2001 2002
Open phase III controlled trial (new)	Comparability TTR Survival EMEA	150	2001-2003
Supportive phase II-IIb	TTR Survival	60	2001 2002
Open phase II	TTP[2] Survival Immunology	13	2000 2000/1 2000
Open phase II	Immunology	5	2000
Retrospective	Safety	200+	Complete
(1) Time to disease relapse	(2) Time to disease progression	TOTAL OVAREX™ TREATED PATIENTS	~500

Initial results from completed and ongoing clinical trials indicate that OvaRex™ MAb is generally safe and well tolerated. These results also demonstrate preliminary evidence of clinical activity in a number of patients. For example, in a retrospective analysis of 60 OvaRex™ MAb treated patients (compared to 247 control patients) with relapsed ovarian cancer, 5-year survival was 40% as compared to 11% for those patients receiving only chemotherapy. Median survival was 59 months for OvaRex™ MAb patients compared to 30 months for controls, a highly significant difference. Further, in an open-label Phase II trial of 13 OvaRex™ MAb treated patients conducted in Vancouver, British Columbia with relapsed ovarian cancer, results to March 1, 2000 indicate prolonged time to disease progression and prolonged survival, summarized as follows:

Phase II Trial: OVA-Gy-08

- **Standard of care in salvage therapy offers 8 to 12 weeks of progression free survival**
  - Nine of 13 OvaRex™ patients progression free for 8 weeks or longer
  - Seven patients are progression free for >=12 weeks
  - Two ongoing patients are progression free > 1 year

- **Expected median survival in this patient population is ~ 40 weeks**
  - Seven patients are alive past one year
  - Two patients are on study (52 and 53 weeks)
  - Five deaths have occurred to date
  - Forty week median surpassed

- **Humoral immune responses of OvaRex™ MAb patients**
  - HAMA: 7/13 (54%) > 5000ug/ml
  - Long term responders within a group producing HAMA > 5000ug/ml
  - Ab2: 6/11 50ug/ml

- **Cellular immune responses**
  - Preliminary results showed positive IFN-γ ELISPOT response to CA125

In a number of clinical studies conducted by the Company and others, OvaRex™ MAb and other AIT® antibodies have evidenced specific immune activation to a patient's own tumor. It is believed that the foreign (murine) nature of the antibody enhances immune induction without the usual toxicity associated with classical high dose murine antibody therapy. These same studies indicate that the expected and non-specific human anti-mouse antibody response, or HAMA, is actually a useful indicator of therapeutic activity, rather than toxicity. The Company attributes the association of a HAMA response and clinical benefit as resulting from the low dose administration of AIT® antibody that is targeted to tumor associated antigen circulating in the blood. The resulting complexes of antibody and antigen are processed and presented in entirety to the immune system, resulting in immune responses (humoral and cellular) to a tumor that was previously unrecognized or tolerated by the immune system. As such, the Company believes it has clinical evidence of AIT® mechanism as described in the Company's patent applications.

AltaRex is also developing additional antibody-based immunotherapeutics from its AIT® Technology for the treatment of tumors expressing the MUC1 (BrevaRex™ MAb for multiple myeloma), TAG 72 (AR54 MAb for ovarian cancer), PSA (ProstaRex™ MAb for prostate cancer) and CA19.9 (GivaRex™ MAb for gastrointestinal cancer) tumor associated antigens. The Company commenced a Phase I clinical trial of BrevaRex™ MAb in December 1998 which has been completed without apparent toxicity. The Company expects to conduct Phase II trials for both its BrevaRex™ and AR54 antibodies in 2001.

Business Strategy

The Company's strategy is to focus its antibody development expertise to produce unique, patent-protected, antibody-based immunotherapeutics based on its AIT® Technology platform for commercialization by partners or on its own. The key elements of the Company's strategy are to:

- Focus exclusively on antibodies for immunotherapy;
- Access general research and genomic data regarding disease targets from partners, academic institutions, and from scientific literature;
- Employ the AIT® Technology and related proprietary technology of the Corporation to generate highly specific immune responses to MAbs associated with TAAs and other disease related antigens;
- Coordinate further discovery and preclinical research and conduct preclinical activities and clinical trials to enable the Company to pursue regulatory approval for the products; and
- Realize value through strategic partnerships and/or joint ventures, or to market products in certain niche markets in the U.S. and Canada.

The Company believes that this strategy will enable it to achieve the patent-protected commercialization of antibody-based immunotherapeutics to treat various cancers and other diseases including infectious and autoimmune diseases.

Market for Cancer Therapeutics

Cancer is a disease characterized by uncontrolled growth and spread of abnormal cells. The disease is believed to occur as a result of a number of factors such as genetic predisposition and external (chemicals, radiation) and internal (immune status, hormones) causes.

Overall, the annual costs for cancer in the United States are estimated at U.S. $107 billion which includes U.S. $37 billion for direct medical costs, U.S. $11 billion for morbidity costs (loss of productivity) and U.S. $59 billion for mortality cases. The world market for cancer therapeutics was U.S. $11.7 billion in 1997 and is expected to reach U.S. $14.7 billion by 2000. (SCRIP Reports – The Complete Guide to Cancer – Second Edition, 1998). North America (predominantly the United States) represents 47% of the worldwide anti-cancer drug market.

The majority of cancer patients are over the age of 65 and it is anticipated that as the population continues to age, cancer treatment will likely become the single largest health care expenditure in the United States and other industrialized nations (Frost and Sullivan, World Cancer Therapeutic Markets, August 1996).

Approaches to Cancer Therapy

Conventional approaches for the treatment of cancer have been based on a combination of surgery, radiation and chemotherapy. Despite increasing resources to develop new therapies for cancer, survival rates for cancer patients have not materially improved over the last 15 years (American Cancer Society, 1998 Cancer Facts & Figures). This ongoing inability to significantly improve survival or quality of life for cancer patients creates a compelling need for alternative medical strategies.

The potential market for antibody-based therapies in the management of advanced cancer has rapidly expanded, as evidenced by the acceptance of IDEC Pharmaceuticals Corp.'s Rituxan® (rituximab) for the treatment of non-Hogkin's lymphoma and the recent FDA approval of Genentech Inc.'s Herceptin® (trastuzumab) for the treatment of certain breast cancers.

Immunotherapeutic Approaches to Cancer

The immunological approach to cancer therapy is based on the principle that the human immune system is capable of recognizing and eliminating cancer cells. In cancer patients, the immune system has failed, for unknown reasons, to respond to the presence of cancer cells. Immunotherapeutic approaches attempt to stimulate and enhance an anti-cancer response by the patient's own immune system.

The immunotherapeutic approach has inherent advantages in comparison to current conventional treatment practices, which are often radical in nature and associated with severe toxicities, thereby compromising the patient's quality of life. In addition, tumors treated conventionally often re-emerge in more aggressive and treatment-resistant forms. Immunotherapy, which can be utilized in combination with conventional treatments or as a single treatment, can be substantially less toxic than chemotherapy and therefore may improve the patient's quality of life.

There are currently four widely accepted immunological approaches to cancer therapy. They can be classified as either tumor associated antigen dependent or independent. The primary difference between immunotherapeutic approaches is the method in which the immune system is stimulated and the nature of the subsequent immune responses.

TAA Independent Immunological Approaches

Adoptive Immunotherapy

This form of therapy consists of the separation and stimulation of T-cells, then exposing those cells to immunostimulates *in vitro* in order to augment the immune system's response to tumor cells. The treated cells are then expanded in numbers and reinjected into patients. Each patient serves as the donor and recipient of his or her own T-cells. While efforts are being conducted to make this therapy more effective, wide application remains difficult due to the individual nature of the treatment.

Non-Specific Immunotherapy

In general, this approach may be described as a method by which the immune system is non-specifically stimulated in order to destroy the tumor. The principal approach has been through the use of cytokines; however, while effective in some indications, side effects have limited their use.

TAA Dependent Immunological Approaches

Tumor associated antigens or TAAs are located on the surface of cancer cells, circulate in patient's blood or sera and are associated with the presence of specific cancer types. The antigens have single or multiple binding sites or epitopes. There are two types of TAA immunotherapy, passive and active specific.

Passive Immunization

This approach consists of the administration of certain immune molecules, such as antibodies, to patients who do not produce them on their own. These antibodies are generally administered in large quantities and, while targeting the cancer cells, can also be designed to act on other cell types and molecules

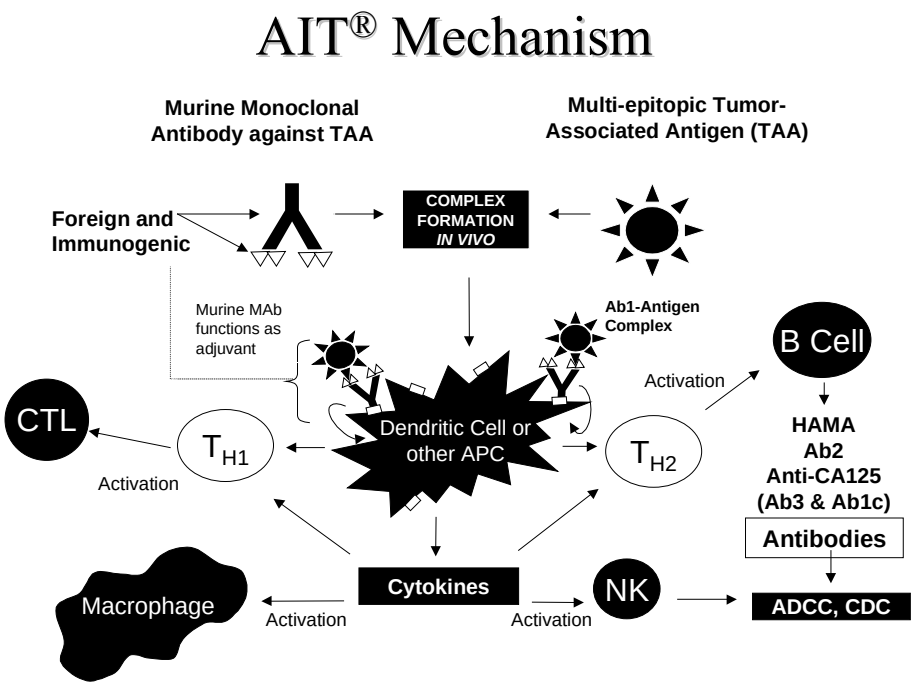
which are necessary for tumor growth. For example, antibodies can be designed to affect the tumor's blood supply, thereby inhibiting the tumor's expansion. Alternatively, certain antibodies can act directly on the tumor by activating a cellular system to attack the tumor after the antibody is attached to it. The underlying assumption is that the antibody will recognize and bind to a cancer-specific antigen which is not expressed on normal cells. Unfortunately, some of the cancer antigens are also found on normal cells, which might also be damaged at the same time.

Active Specific Immunization

Vaccines that are based on this therapeutic approach usually involve the immunization of patients with irradiated tumor cells expressing a specific antigen or by combining the antigen itself with an appropriate carrier molecule and administering it together with an adjuvant. Modern variations to this technique include anti-idiotype antibody therapy, which consists of the formation and selection of an antigen mimic in the form of an antibody that is administered in the manner described above. While this technology holds promise, the development of an effective vaccine is highly dependent on the accurate pre-selection of the antigen or antigen mimic.

AltaRex's Antibody-based Immunotherapy (AIT®)

The Company believes its AIT® approach to immunotherapy is fundamentally different from the conventional approaches to immunotherapy described above. AIT® Technology involves the development of murine antibody specific to a tumor associated antigen. This antibody is subsequently modified by a proprietary technique and, after appropriate processing, is injected by IV infusion into a patient. Multiple immunological pathways are then invoked. This results in the formation of a complex between the antibody and the patient's own circulating tumor antigen. The tumor antigen is thereby targeted for an immune response. Mechanistic studies have demonstrated the induction of the anti-idiotype network or cascade and, more particularly, of the reconformation of the TAA presentation and humoral and cellular responses to multiple epitopes of the TAA. It is the Company's belief that this in turn results in an immune response having unique characteristics, mobilizing both cellular and humoral pathways against the TAA and the tumor cells, triggered by a tumor antigen specific modified murine monoclonal antibody. The Company's interpretation of its AIT® mechanism is depicted in the following schematic.



AIT® Technology

Overview

The development of the Company's AIT® Technology and related products has been facilitated by advances in the field of oncology that have demonstrated the existence of cellular components known as tumor associated antigens.

The AIT® Technology is the process by which the Company produces, selects, modifies and administers unique murine MAbs that can selectively bind to TAAs that are highly associated with certain types of cancers. The Company has found that the selective binding of MAbs to TAAs can induce a number of specific anti-tumor immune responses in a cancer patient.

The Company believes that is has developed a method to isolate groups of TAAs associated with specific cancers. The Company develops murine MAbs having a high degree of specificity to a particular TAA. The Company has shown that the MAb B43, the primary component of OvaRex™ MAb, has a high degree of specificity to the TAA CA 125, an antigen over-expressed by over 80% of ovarian cancer patients. The Company has developed murine MAbs that have specificity for TAAs associated with seven of the ten most lethal forms of cancer in the United States.

The Company believes that its AIT® approach to immunotherapy may provide the following advantages over conventional approaches to immunotherapy:

- The AIT® immunotherapeutic induction approach uses a foreign (murine) antibody to a single epitope of a multi-epitopic TAA that induces the immune system to mount its own generalized anti-tumor response to multiple epitopes of the TAA. The technology mobilizes an immune response that is not restricted by selection of idiotype or vaccine fragment;

- The AIT® immunotherapeutic approach has demonstrated the stimulation of both a humoral and cellular immune response;

- The AIT® immunotherapeutic approach utilizes low dosages and intravenous infusion of antibody, minimizing the risk of toxicity and lowering the cost of the treatment; and

- The use of a murine MAb induces a potent immune response that would not result from chimeric or humanized antibodies.

The AIT® Technology is the subject of seven patent applications filed by the Company with the United States. The Company's lead product, OvaRex MAb, is based on a murine MAb that is licensed to the Company from Biomira. AltaRex may license (as it has for AR54) or develop (as it has for BrevaRex™, GivaRex™ and ProstaRex™ MAbs) other MAbs for future AIT® products.

Mechanism of Action of the AIT® Technology

The mechanism of action of the Company's AIT® Technology is based on what the Company believes is the ability of the human immune system to generate a tumor specific immune response to MAbs associated with specific TAAs. The Company believes that certain murine MAbs may, upon administration to a cancer patient, induce both a humoral and a cellular response by the patient's immune system.

There are four basic steps in the AIT® Technology process:

Step 1 – Identification of the Tumor Associated Antigen

AltaRex has isolated specific antigens that have a high association with particular cancers. To date, TAAs have been identified and isolated for ovarian, breast, prostate, lung, pancreatic, colorectal and stomach cancers.

Step 2 – Development of the Monoclonal Antibody

Using conventional techniques, AltaRex uses the identified antigens to develop a murine monoclonal antibody (MAb)

Step 3 – Modification of Monoclonal Antibody

Using the Company's proprietary technology, antibodies from step two are modified to increase the degree to which the antibody is capable of eliciting an immune response. This process results in a modified murine MAb that is ready for use.

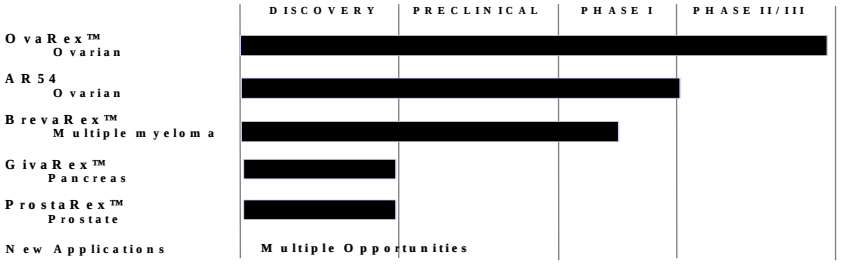
Step 4 – Initiation of the AIT® Induced Response

The Company believes that administration of the modified murine MAb into the patient initiates a cascade characterized by at least three major events. The uniqueness of the AIT® Technology may be attributed, in part, to these three different mechanisms by which the antibody may exert its influence on tumor cells. These mechanisms have been elucidated by the Company's detailed analysis of the anti-idiotype network or cascade. In the first instance, the modified MAb induces the production of an anti-idiotype network or cascade of antibodies. Second, the immunogenicity of the antibody leads to a cellular immune response. Finally, and most importantly, administration of the antibody results in the formation of a TAA antibody complex in the blood, and a novel presentation of the TAA to the immune system inducing a multi-epitopic response to the TAA. The result of this cascade of events is a tumor specific humoral and cellular response capable of killing cancer cells.

The Company's Products

AltaRex has selected five tumor-associated antigens for initial therapeutic product development. The first and most advanced of these product candidates is OvaRex™ MAb for the treatment of patients with tumors expressing CA 125. Other products in development include AR54 MAb (for tumors expressing TAG 72), BrevaRex™ MAb (for tumors expressing MUC1), ProstaRex™ MAb (for tumors expressing PSA) and GivaRex™ MAb (for tumors expressing CA 19.9). The following chart sets forth the current development status of the Company's products.

AIT®-based Product Pipeline



OvaRex™ MAb Overview

In the United States, Canada and Europe, ovarian cancer causes more deaths than any other cancer of the female reproductive tract. It is estimated that in the United States approximately 26,000 new cases of ovarian cancer will be diagnosed and more than 14,000 women will die from this disease annually (American Cancer Society, 1998 Cancer Facts & Figures).

Although detection of ovarian cancer at an early stage is now associated with an improved chance for curative treatment, survival figures have not changed significantly over the past 15 years. This is partially due to a lack of efficient diagnostic methods or markers for routine tests that could increase the number of patients diagnosed at the early stage of their disease. Consequently, in approximately three-quarters of diagnosed patients, the tumor has already progressed to an advanced stage (Stage III or IV), making treatment more difficult. Of these Stage III and IV patients, more than 80% express the tumor associated antigen CA 125. Patients diagnosed with advanced ovarian cancer usually demonstrate a survival time of less than two years (Hoskins *et al*., Journal of Clinical Oncology, October 1992).

Prior to 1995, a research program for OvaRex™ MAb was initiated at Biomira Research. In November 1995, the Company acquired from Biomira certain assets and licensed certain technologies, including the antibody B43, which is utilized in OvaRex™ MAb. Under the terms of a license agreement with Biomira, the Company has a license to, among other things, use the antibody B43 in connection with the development of anti-idiotype induction therapy products and applications.

OvaRex™ MAb uses a murine MAb having a high degree of specificity to a TAA (CA 125) over-expressed by the majority of ovarian cancer patients. The Company believes that the product acts as an immunotherapeutic agent by inducing or amplifying the human body's immune response against ovarian cancer. This response is characterized by a cascade of events involving the production of specific antibodies and cytotoxic T-cells in the body which target the tumor cells. The Company believes that this combination of a humoral and cellular immune response accounts for the observed improvement in the clinical outcome of patients receiving the OvaRex™ MAb.

OvaRex™ MAb Regulatory Approval Strategy

AltaRex has received Orphan Drug status from the FDA for OvaRex™ MAb for the treatment of ovarian cancer which may result in seven years of market exclusivity provided that the Company continues to meet certain conditions established by the FDA. See "-Regulatory Approval Process – Orphan Drug Status".

Generally, the FDA approves the marketing of a drug based on adequate and well-controlled trials. The FDA also has regulations which are intended to expedite the development, evaluation and marketing of a new drug used for the treatment of serious diseases for which there is no other satisfactory treatment. In appropriate circumstances, the FDA may, in its discretion, approve the marketing of a drug based on one adequate and well-controlled trial, if supported by information from other related adequate and well-controlled studies or if the trial is a single multi-centre trial. Fast Track designation makes a product eligible for consideration for a number of programs, including meeting with the FDA to discuss research protocol design and the possibility that the marketing of the product may be approved immediately after the conclusion of Phase II studies. As a result of FDAMA, obtaining Fast Track designation from the FDA can result in approval based on a surrogate endpoint that is reasonably likely to predict clinical benefit. Such approval may be subject to the requirements that the sponsor conduct appropriate post-approval studies and submit all promotional materials related to the Fast Track product at several different points in time.

The Company has received a letter from the FDA dated December 17, 1998 stating that its Request for Fast Track designation had been reviewed and, subject to the Company continuing to meet certain criteria, the FDA has designated OvaRex™ MAb as a Fast Track Development program (for the effect of OvaRex™ MAb in delaying time to recurrence in patients with Stage III or IV ovarian cancer who have undergone standard treatment, surgery and chemotherapy and have minimal or no evidence of disease).

As part of the Company's regulatory approval strategy, it has or will conduct three controlled trials based on the surrogate endpoint of time to disease relapse. The Company is also conducting open-label Phase II trials in the United States and Canada with ovarian cancer patients populations that have already experienced disease relapse. The Company intends to treat 500 patients or more with OvaRex™ MAb (or an earlier radiolabelled imaging product) prior to submission for approval by the FDA and other regulatory agencies. The Company is also working with Lonza Biologics to scale-up cell culture-based OvaRex™ MAb antibody that is expected to be studied in comparability trials with the Company's current ascites-derived antibody material. Scaling-up production of cell culture-derived materials will enable the Company to further pursue regulatory approval and commercialization of OvaRex™ MAb. See "Risk Factors – Reliance Upon Strategic Relationships".

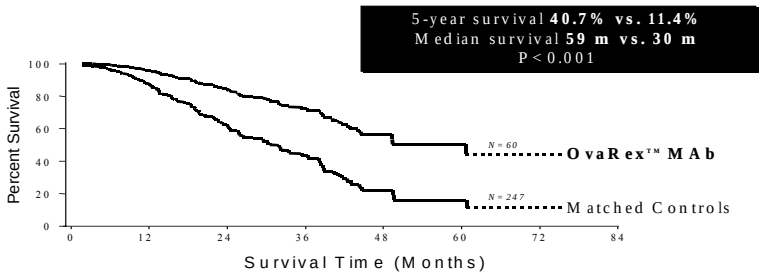
Clinical Experience with OvaRex™ MAb

An earlier formulation of OvaRex™ MAb was administered to more than 200 patients for imaging purposes. Of the patients that received the imaging antibody, about 50% were evaluated for an immunological response to OvaRex™ MAb. The principal investigators observed that following the administration of the imaging antibody, particularly in those patients who received more than one dose, the patients developed a clinical response to treatment characterized by what appeared to be unusually long survival times.

A subsequent retrospective statistical analysis, initially prepared by an independent statistician at the University of Dortmund in Germany, identified a statistically significant treatment effect in the survival time of patients receiving the earlier OvaRex™ MAb, when compared to a historical control group treated with conventional chemotherapy. An additional independent analysis by a statistician at the University of Western Ontario in Canada was undertaken with almost identical results. The following graph illustrates the adjusted survival curves. In this Cox Statistical Analysis (described below), the median length of survival was 30 months for the group treated with conventional chemotherapy and 59 months for the group that received the earlier formulation of OvaRex™ MAb. Additionally the five year survival rates as determined by this analysis were 11.4% for the chemotherapy group and 40.7% for the group that received the earlier formulation of OvaRex™ MAb.

Cox Statistical Analysis is a statistical method of comparing two different populations with respect to the length of survival of patients who received a drug with those who did not, while balancing the effect of other parameters that can also affect survival.

OvaRex™ Retrospective Cox Analysis



Current Trials with OvaRex™ MAb

Based on the encouraging results obtained in the early retrospective analysis and a substantial body of evidence supporting the retrospective analysis based on immunological laboratory research, the Company initiated a prospective multi-center double blind placebo-controlled North American clinical trial with ovarian cancer patients to evaluate the clinical utility of OvaRex™ MAb. In Canada, the Company received approval from the HPB on October 1, 1996 to conduct a Phase IIb clinical trial. Patient enrollment commenced in a number of major cancer centers in Canada in early 1997. In the United States, the Company received Orphan Drug status for the OvaRex™ MAb drug on November 26, 1996 and received approval from the FDA on May 23, 1997 to proceed with a U.S. Phase IIb trial. The first patient was treated in April 1998. In 1998, the FDA approved the combination of the Canadian and United States clinical trials into one combined, placebo controlled and potentially pivotal trial that as of January 31, 2000 was completely enrolled with 345 patients participating. This trial is expected to be completed with respect to the primary endpoint in July 2001.

The Company has also initiated a second and smaller double blind placebo-controlled trial in the United States with an ovarian cancer patient population with more advanced disease than the initial trial. In November 1998, the Company passed the 30 day FDA Investigational New Drug Application waiting period and in December 1998, began recruiting centers for this approximately 60 patient, multi-center clinical trial. As of mid-February, 2000, 51 patients have been enrolled in the United States. This trial is currently scheduled for completion with respect to the primary endpoint in 2001.

The Company will initiate a second potentially pivotal trial in the second quarter of this year. The trial is expected to enroll 150 patients, using the placebo group from the first potentially pivotal trial as a contemporary control, and should be completed with respect to the primary endpoint of time to disease relapse in 2002.

The Company is also conducting additional open Phase II trials in relapsed ovarian cancer patients in Canada and the U.S. The open Phase II trial underway in Vancouver is fully enrolled with 13 patients.

BrevaRex™ MAb

The Company is developing a cancer immunotherapeutic based on the AIT® Technology for the treatment of MUC1 expressing cancers including multiple myeloma, lung and prostate cancer. This tumor marker, also known as CA15.3 is mutated in 100% of individuals with multiple myeloma (Treon et. al., Blood, 1999).

Multiple myeloma is a rarely curable disease that was previously considered to be a bone cancer. It is actually a haematological malignancy related to leukemias and lymphomas. It accounts for about 10% of all hematologic cancers. It was estimated that approximately 16,000 new cases would be diagnosed in the United States in 1998 with a total of about 11,300 deaths (American Cancer Society, 1998 Cancer Facts & Figures). A steady increase in incidence of the disease has been noted over the past 30 years. Although multiple myeloma is sensitive to chemotherapy, with a median survival of three to four years, most patients are not cured and eventually succumb to their disease.

Multiple myeloma cells express tumor associated antigens that are ideal targets for immunotherapy. One such antigen is the core protein of MUC1. The ability of an antibody to bind to MUC1 is largely dependent on the extent of "mutation" of the antigen. In contrast to breast and certain other more common cancers, MUC1 in multiple myeloma patients is highly mutated in virtually every patient, thereby making antibody therapy targeting the core peptide more accessible.

The combination of MUC1 antigen target and the nature of the disease in question (i.e. a discrete population for whom there is currently no curative alternative) makes multiple myeloma ideally suited for AltaRex's development strategy. The Company will apply for Orphan Drug status for BrevaRex™ MAb and should be in a position to petition for Fast track designation.

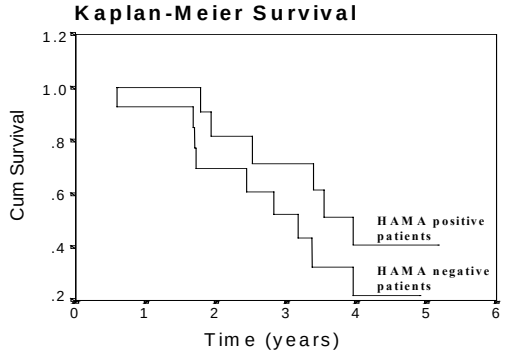
The Company filed an Investigational New Drug Application or IND in late October 1998 to initiate a BrevaRex™ MAb Phase I clinical trial. In this trial, the Company monitored safety and surrogate markers of immunological effect. The Company has completed enrollment without apparent toxicity. The Company also intends to initiate a safety/efficacy trial in multiple myeloma patients in 2001.

AR54 MAb

The Company recently in-licensed a monoclonal antibody (AR54) to the TAA TAG 72 from the National Institutes of Health that will be developed with the Company's proprietary AIT® Technology for the treatment of ovarian and other cancers. This antibody, as a radiolabelled diagnostic, has been studied extensively, including more recently at the University of Miami and several centers in Europe. This prior experience will greatly expedite clinical development and the Company believes that following the production of cGMP antibody and preclinical characterization, clinical evaluation could commence at the Phase II level in 2001.

At the recent Annual Meeting of the Society of Gynecological Oncologists, Dr. Michael Method presented an abstract of encouraging data supporting the use of AR54 for ovarian cancer. Data were from an open-label clinical study involving consolidation therapy in 25 ovarian cancer patients (in the same patient population as one of the OvaRex™ MAb double blind placebo- controlled trials using a single dose of radiolabelled antibody). Dr. Method reported that the 11 patients (44%) who developed a HAMA response demonstrated an overall prolonged survival.

Dr. Method Abstract MoAb B72.3 (AR 54)



** Patients dosed at positive reassessment laparotomy* M. Method et al

Other AIT® Technology Indications and Products

In addition to ovarian cancer and multiple myeloma, OvaRex™, BrevaRex™ and AR54 MAbs may have applicability to other tumors expressing the target antigens. In the case of OvaRex™ and AR54 MAbs, this would include endometrial, breast and non-small cell lung cancers, and in respect of BrevaRex™ MAb would include breast, prostate and non-small cell lung cancers. The Company believes that a strategic partner may wish to pursue these other potentially more lucrative, but difficult to study disease targets.

The Company has commenced further exploratory research and early preclinical work on two additional antibodies specific to the tumor associated antigens PSA and CA19.9 for two other potential products, ProstaRex™ MAb and GivaRex™ MAb, respectively. AR54 MAb may have applicability to some of the same tumors as GivaRex™ MAb as depicted below.

AIT® Antibody Platform and Tumor Antigen Expression

		Product				
Disease	**Incidence**	**OvaRex™ CA125**	**BrevaRex™ MUC1**	**AR54 TAG72**	**GivaRex™ CA19.9**	**ProstaRex™ PSA**
Ovarian	26,000	>90%	55%	>90%	-	-
Endometrial	37,400	>90%	?	>75%	-	-
Breast	178,000	12-50%	75%	50-84%	-	-
Lung	172,000	32%	25%	70%	-	-
Multiple myeloma	16,000	-	100%	-	-	-
Pancreas	29,000	-	-	22%	87%	-
Stomach	23,000	-	-	70%	68%	-
Colorectal	132,000	-	-	43%	50%	-
Prostate	185,000	-	-	-	-	100%

A component of the Company's strategy is to continue to engage in discovery research activities, particularly the possibility of accessing genomic data pertaining to additional TAAs as part of an external collaboration, and to develop new technologies for antibody-based immunotherapeutics to treat diseases in addition to cancer. The Company has conducted very early research in infectious diseases and the Company also believes its AIT® approach could be applicable to autoimmune and other diseases.

Cancer Therapies

Overview

Cancer is a disease characterized by uncontrolled growth and spread of abnormal cells. The disease is believed to occur as a result of a number of factors such as genetic predisposition and external (chemicals, radiation) and internal (immune status, hormones) causes. Epidemiologists estimate that the disease is responsible for the yearly death of approximately six million individuals throughout the world including approximately 555,000 in the United States. It is estimated that 40% of all Americans will ultimately be stricken with the disease. The majority of industrialized nations report similar statistics (Scientific American, September 1996).

The world market for cancer therapeutics totals approximately US$ 6.5 billion, and is expected to increase to US$14.7 billion by the year 2002. The majority of cancer patients are people over the age of 65 and it is anticipated that as the population continues to age, cancer treatment will likely become the single largest health care expenditure in the United States, Canada and other industrialized nations (Frosst and Sullivan, World Cancer Therapeutic Markets, August 1996).

To date, traditional approaches to the treatment of cancer have been based on a combination of surgery, radiation and chemotherapy. Despite the increasing amount of resources to develop new therapies for cancer, survival rates for cancer patients have not materially improved over the last 15 years (American Cancer Society, 1995 Cancer Facts & Figures). Furthermore, the incidence of cancer is increasing annually, largely the result of the aging of the general population and increased exposure to environmental carcinogens (Frosst and Sullivan, World Cancer Therapeutic Markets, August 1996).

Ovarian Cancer

In the United States, Canada and Europe, ovarian cancer causes more deaths than any other cancer of the female reproductive tract. It is estimated that in the United States approximately 26,000 new cases of ovarian cancer will be diagnosed and more than 14,000 women will die from this disease annually (American Cancer Society, 1998 Cancer Facts & Figures).

Although detection of the tumor at an early stage is now associated with an improved chance for curative treatment, survival figures have not changed significantly over the past 15 years. This is partially due to a lack of efficient diagnostic methods or markers for routine tests which could increase the number of patients diagnosed at the early stage of their disease. Consequently, in most diagnosed patients, the tumor has already progressed to an advanced stage (Stage III or IV), making therapeutic approaches more difficult. The five year survival rates for women with regional (Stage III) and distant (Stage IV) ovarian cancer are 41% and 21%, respectively (American Cancer Society, 1995 Cancer Facts & Figures). Patients diagnosed with advanced ovarian cancer usually demonstrate a survival time of less than two years (Hoskins *et al.*, Journal of Clinical Oncology, October 1992).

The therapeutic approach prescribed for those patients whose tumors have progressed to an advanced stage consists of surgery (debulking) in combination with adjuvant chemotherapy, which improves the patient's prognosis, particularly if the residual tumor is smaller than two centimeters in diameter. Despite the high rate of patients whose advanced stage cancer enters into clinical remission, 90% of them will eventually suffer a recurrence of their disease, the median time to disease relapse being 18 months (Hoskins *et al.*, Journal of Clinical Oncology, October 1992).

Those patients who either have residual tumors larger than two centimeters or are left with progressive disease, or a no change situation after first-line chemotherapy, have a particularly poor prognosis. These individuals typically require additional chemotherapy within a period of only a few weeks or months. Second-line chemotherapy, however, suffers from a lack of suitable therapeutic agents as the tumors have usually become chemoresistant due to their inherent heterogeneity and adaptability to preceding first-line treatment.

In recent years, new chemotherapeutic agents used either as single treatments or in combination with other therapeutic agents have demonstrated an increase in survival time by as much as 50%. However, despite their apparent positive effect on survival time, these agents are generally associated with significant toxicity and side effects which reduce the patient's quality of life.

Given the rigors of repeated chemotherapeutic treatments, and taking into account the low response rates and the modest effects on survival time, patient quality of life has become a major issue. This is increasingly true as ovarian cancer affects a large number of older and postmenopausal women.

Breast Cancer

Breast cancer is the most frequently diagnosed cancer in women. In North America, breast cancer accounts for close to 18% of female cancer deaths; it is exceeded only by lung cancer which has shown a resurgence since 1985. Each year, approximately 178,000 new cases of breast cancer are expected to be

diagnosed in the United States alone, with more than 46,000 patients dying from it during the year (American Cancer Society, 1998 Cancer Facts & Figures).

Breast cancer is typically considered a slow growing tumor. However, some patients suffer from a more aggressive form of the disease and do not respond well to any intervention. The disease has a propensity to metastasize to distant sites in the body, beginning with nearby lymph nodes and then to other sites such as the bone, liver and brain.

Survival is excellent with early stage disease and poor when extensive disease is present. The use of aggressive screening with technologies such as digital mammography appears to play an important role in mitigating early death due to the disease. For the treatment of breast cancer, surgical treatment, either lumpectomy or mastectomy, is usually combined with radiation therapy, chemotherapy or hormonal therapy. Multi-agent chemotherapy is the usual form of treatment. The five year survival rate is 94% for patients with localized breast cancer, 73% for patients with regional disease and 18% in women with distant metastases (American Cancer Society, 1995 Cancer Facts & Figures).

Gastrointestinal Cancers

Cancers of the gastrointestinal tract consist of three significant cancer diseases; colorectal, stomach and pancreatic. New cases in the U.S. each year for these three diseases are estimated to be 132,000, 23,000 and 29,000 respectively. Moreover, it is estimated that 55,000, 14,700 and 27,000 Americans will die each year from these three cancers, respectively (American Cancer Society, 1998 Cancer Facts & Figures).

Colorectal cancer comprises the largest group, about 75%, of all new cases of gastrointestinal cancer. At the time of diagnosis, approximately 75% of patients with colon cancer have local or regional disease and 25% have metastatic disease (Rubin (ed), Clinical Oncology, 7th Edition, 1993). The primary method of treatment of colorectal cancer is surgery, often in conjunction with subsequent radiation therapy. Approximately 61% of patients who undergo surgery for locoregional colon cancer have developed recurrence of the disease. Most recurrences (70%) occur within two years and almost all (90%) within five years (Rubin (ed.), Clinical Oncology, 7th Edition, (1993). Adjuvant chemotherapy has been shown to increase survival in patients with locoregional (Dukes' C) colon cancer. The five year survival rates for early localized colon and rectal cancer are about 93% and 87%, respectively, 63% and 53%, respectively, for regional disease, and less than 7% for metastatic disease (American Cancer Society, 1995 Cancer Facts & Figures).

Prostate Cancers

Prostate cancer is the second most common cause of cancer death of men in the United States. It is estimated that there will be 185,000 new cases and 39,200 deaths in the U.S. during 1998. Fifty-eight percent of all cases are discovered while still localized. The 5-year relative survival rate for patients whose tumor is diagnosed at this stage is 100%. Overall, 67% of men diagnosed with prostate cancer survive 10 years and 50% survive 15 years (American Cancer Society Facts and Figures, 1998)

In spite of these impressive survival figures, with an aging population the numbers of deaths due to prostate cancer will increase with time. More importantly, there is a significant opportunity in patients with advanced disease since current therapy for this population is very limited.

Regulatory Approval Process

Regulatory Requirements

Regulations imposed by governmental authorities in Canada and the United States, as well as their counterparts in other countries, are a significant factor in the conduct of the research, development, manufacturing and eventual marketing activities for the Company's proposed products. In Canada, these activities are regulated by the Food and Drug Act (Canada) and the rules and regulations promulgated thereunder, which are enforced by the Therapeutic Products Programme of the HPB. Drugs and biological products are subject to rigorous regulation by the FDA in the United States and by the European Medicines Evaluation Agency or EMEA in Europe. The regulatory processes in Canada, the United States and Europe follow similar essential steps although timing and results may be different.

The regulatory process for the development and approval of a new drug includes the conduct of preclinical and clinical trials. The duration of those trials and number of subjects required to meet the requirements of the various authorities may vary according to, among other things, the disease studied, the seriousness of the side effects, whether there is any current or conventional therapy, the size of the target population, and the nature of the proposed treatment.

Preclinical Evaluation

The purpose of preclinical evaluation is essentially to determine the safety, pharmacokinetics and efficacy of a new drug in animals before it is administered to humans. The data collected during preclinical studies must be presented in the form of an IND application to the regulatory authorities in the country where clinical trials will be conducted. In the United States, unless otherwise notified, clinical trials may begin 30 days after the IND application is filed, whereas in Canada, clinical trials may not begin until 60 days after the application is submitted and upon receipt of a "no objection" letter.

Clinical Trials

Phase I Clinical Trials

Phase I clinical trials are commonly performed in healthy human subjects or, more rarely, in selected patients with the targeted disease or disorder. The objective of these trials is to study the pharmacokinetics and pharmacodynamics of the drug, as well as the toxicity of the treatment and the patient's tolerance to it. Data regarding the absorption, distribution, metabolism and excretion of the drug is also compiled in Phase I clinical trials.

Phase II Clinical Trials

In Phase II clinical trials, preliminary evidence is sought regarding the pharmacological effects of the drug and the desired therapeutic efficacy with a small number of patients with the targeted disease. At this stage, efforts are made to evaluate the effects of various dosages and to establish an optimal dosage level and dosage schedule. Additional safety data may also be compiled from these trials.

Phase IIb (sometimes called Phase II/III) trials can be undertaken for serious or fatal diseases and consist of well-controlled trials to evaluate efficacy (and safety) in patients with the disease or condition to be treated, diagnosed or prevented which may be deemed to be pivotal. Phase IIb trials can lead to expedited review and accelerated approval by the FDA of the product for commercial sale conditional upon the completion of subsequent Phase III post-market information studies. Phase IIb trials incorporate certain

design and control features of Phase III trials. If data collected from Phase IIb trials is statistically significant, authorization for accelerated approval may be sought from the FDA.

Phase III Clinical Trials

The Phase III clinical development program generally consists of expanded, large-scale studies of patients with the targeted disease or disorder so as to obtain definitive statistical evidence of the efficacy and safety of the proposed product and dosing regimen in comparison with standard therapy.

After an appropriate analysis, the HPB, FDA or EMEA may interrupt clinical trials at any stage if the drug has a clear efficacy advantage or, alternatively, if the health of the subjects is threatened or the side effects are not compensated for by the drug's benefits.

Regulatory Approval

Once Phase III clinical trials have been completed, the applicant will compile all results, as well as all information concerning the product and its composition, synthesis, manufacture, packaging and labeling methods, for the purpose of obtaining approval to market the product. This application is known either as a New Drug Application ("NDA") or a Biologics License Application ("BLA") for a well-characterized biologic, such as a monoclonal antibody, or a combination of a Product License Application ("PLA") and an Establishment License Application ("ELA") for all other biologicals in the United States and as a New Drug Submission ("NDS") in Canada. Government authorities may require that additional trials be performed after the product is marketed to assess its long-term effects.

Since drug manufacturing is also regulated, the applicant is required to ensure that it complies with cGMP's, which are quality standards that require the control of production activities, raw-material procurement, complaint management, product recalls, labeling and promotional material. In addition to these standards, which are common to all drugs, certain biologics are subject to ELAs and lot by lot release agreed to by FDA to ensure batch to batch comparability.

In certain circumstances, the FDA may expedite the development, evaluation and marketing of new drugs used for the treatment of serious diseases for which there is no other satisfactory treatment by granting such programs a Fast Track designation.

Orphan Drug Status

Orphan Drug designation is designed to facilitate the introduction of drugs into the market in the United States for use in treating rare diseases or conditions. The disease must affect fewer than 200,000 patients in the United States. Upon obtaining marketing approval for the drug, the FDA will grant a period of seven years during which no approval will be given to a subsequent sponsor of the same drug product for the same indication. The only exception to this is if a competitor can show superiority of a second product which generally requires a head to head comparison. Written application for Orphan Drug status must be submitted to the Office Orphan Drug Products Development of the FDA and must include documentation supporting the request for the particular indication. Orphan Drug designation also allows the manufacturer to apply for grants from the United States government to help defray the cost of the clinical testing of the drug in the United States and may allow for faster review of pending United States patent applications filed with the United States Patent and Trademark Office.

AltaRex has received Orphan Drug status for OvaRex^{TM} MAb for ovarian cancer and expects to file similar applications for its other antibodies.

Fast Track Designation

Fast Track designation is a result of the FDA Modernization Act (FDAMA) of 1997 and is intended to facilitate development and expedite review of drugs to treat serious and life-threatening conditions that fill an unmet medical need. It allows the FDA to approve a marketing application for a product that shows efficacy on either a defined clinical endpoint or a reasonably predictive surrogate endpoint. It also allows the FDA to review the marketing submission on a rolling basis, thereby shortening the review time. FDAMA also specifies FDA's ability to approve marketing applications based on one, well controlled trial if sufficient supporting data is available.

In December 1998, AltaRex received FDA Fast Track designation for OvaRex™ MAb for the treatment of late stage ovarian cancer.

Strategic Alliances and License Agreements

As part of its business strategy the Company may license the products it develops to strategic partners. These partners would participate in the later stage clinical development as required by the FDA, HPB, EMEA and other International drug regulatory agencies and/or in the commercialization process. The major objectives in seeking to license products to strategic partners include:

- Minimizing development expenditures through cost sharing programs;
- Arranging for access to the resources and experience of pharmaceutical and large biotechnology corporations; and
- Maximizing long term revenue streams from royalties on the sale of the Company's products.

The Company has no current plans for developing in-house manufacturing, marketing or sales capabilities. The Company believes that the biopharmaceutical industry has adequate manufacturing, marketing and sales capacity, which the Company believes it may access through contractual or partnership arrangements.

The Company's current alliances and collaborative partnerships are described below.

Draximage Inc.

The Company is a party to an alliance agreement with Frosst Radiopharmaceuticals (a division of Merck Frosst Canada Inc.) dated February 20, 1996 and assigned to Draximage Inc. ("Draximage"), a wholly-owned subsidiary of Draxis Health Inc. ("Draxis Health"), by agreement dated August 1, 1997 (the "Draxis Alliance Agreement"). Under the Draxis Alliance Agreement, the Company and Draximage have agreed to collaborate on the manufacture of pilot and scale-up batches of OvaRex™ MAb. Draximage has agreed to manufacture (fill/finish) vials of OvaRex™ MAb for clinical trials at a fixed price per vial and may have certain rights with respect to the manufacture and/or marketing of the OvaRex™ MAb drug in Canada for commercial purposes. There are various conditions to be fulfilled by the parties before such manufacturing and/or marketing can commence.

University of Alberta & Noujaim Institute

In 1998, the Company entered into a three year collaborative research agreement (the "NI Research Agreement") with the University of Alberta and its Noujaim Institute for Pharmaceutical Oncology Research (the "Noujaim Institute"). Under the NI Research Agreement, the Noujaim Institute

performs research on behalf of and at the direction of the Company in the development of tumor binding agents and therapeutic compositions. During the term of the NI Research Agreement the Company compensates the University for services rendered in an amount not to exceed $300,000 per year. The NI Research Agreement will terminate in March, 2000. The Company may also owe to the University a royalty on any net sales (as defined in the NI Research Agreement) derived from a prostate cancer immunotherapeutic composition developed under the NI Research Agreement.

Alberta Heritage Foundation Agreement

The Alberta Heritage Foundation for Medical Research ("AHFMR") is a foundation established by the Government of the Province of Alberta to support medical research in the Province of Alberta. AHFMR contributed $500,000 to the funding of the current Canadian double blind placebo-controlled trial of OvaRex™ MAb pursuant to an agreement dated March 1, 1997 (the "AHFMR Agreement"). Commencing on the earlier of March 1, 2002 and the first anniversary of regulatory approval of OvaRex™ MAb, the Company is required to pay to AHFMR on an annual basis an amount equal to the lesser of 5% of the gross product sales (as defined in the AHFMR Agreement) received from commercialization of OvaRex™ MAb and $100,000. The maximum total payments by the Company under the AHFMR Agreement are $1 million. In addition, in connection with the AHFMR Agreement, the Company granted to AHFMR warrants to purchase 41,667 Common Shares at an exercise price of $12.00 per share which expired on March 1, 2000.

Biomira License Agreement

The Company holds an exclusive worldwide license from Biomira for the use of the murine working hybridoma cell bank and murine antibody MAb B43 (the "B43 Technology") for all anti-idiotype induction applications and products, as well as for the use of such related experimental and clinical data for anti-idiotype induction applications and products. MAb B43 is the functional component of the OvaRex™ MAb product.

The Company obtained the license from Biomira pursuant to a license agreement dated November 24, 1995 (the "Biomira License Agreement"). Under the terms of the Biomira License Agreement:

- The Company paid an up-front fee of $150,000;
- The Company agreed to use its best efforts to commercialize the B43 Technology;
- The Corporation agreed to spend a minimum of $3,000,000 to develop the B43 Technology from December 1, 1995 to December 1, 1999; and
- The Company agreed to pay a royalty to Biomira on the sale of any products developed using the B43 Technology as set out in the Biomira License Agreement.

The Biomira License Agreement only pertains to the products that will potentially use MAb B43 or a derivative thereof. Products develops by the Company which do not incorporate the B43 Technology are not subject to the Biomira License Agreement.

Biomira Settlement

In February 1999, Biomira commenced legal action against AltaRex and certain individuals affiliated with AltaRex asserting Biomira's ownership of an invention disclosed in an international patent application filed by AltaRex. In March 1999, AltaRex filed suit against Biomira seeking a declaratory

judgement concerning the terms of a license agreement between the companies and for certain breaches of contract. On September 3, 1999, AltaRex and Biomira Inc. announced that they had reached a settlement with respect to issues that were the subject of litigation between the two biotechnology companies. In addition to the termination of the respective lawsuits the settlement included the following:

- The license agreement that was the subject of AltaRex's suit against Biomira was amended and restated to clarify certain terms of the agreement that had given rise to issues raised by each of the parties.

- Biomira agreed to assign to AltaRex any interest Biomira might have in the patent application that was the subject of Biomira's lawsuit against AltaRex. AltaRex granted to Biomira a royalty-free, non-exclusive license, if and when this patent issues, in relation to antigen-based or idiotypic cancer vaccines. This agreement will also extend to two additional antibodies, one of which will be royalty-bearing to AltaRex.

- AltaRex has paid, on behalf of Biomira, a $4.2 million repayment of Biomira's liability to Industry Canada, an agency of the Canadian government, under a 1991 contribution agreement. AltaRex will similarly fund a $250,000 liability to the Alberta Government, under a separate contribution agreement, upon successful commercialization of OvaRex™ MAb. Both governments had financially supported research and development work at Biomira, and Biomira Research Inc., that ultimately principally benefited AltaRex. As a result of the above, the Industry Canada agreement has been terminated.

Manufacturing

The Company does not currently manufacture any of its products and has no immediate plans to establish manufacturing facilities for commercial production of its therapeutic products. Instead, the Company's strategy, is to manufacture and commercialize its products through strategic alliances and licensing agreement with major pharmaceutical companies.

Human Resources

As of February 29, 2000, the Company had 19 employees, 2 of whom were located at the Company's locations in Edmonton, Alberta and 17 of whom were located at the Company's executive office in Waltham, Massachusetts. There were 6 employees working in research and product development, 4 in clinical and regulatory affairs and 9 working in administration and corporate affairs. Of the research and development employees, 4 hold Ph.D.s and 1 is an M.D.

None of the employees are governed by a collective bargaining agreement. The Company believes that working relationships with its employees are excellent.

Leased Properties

AltaRex's Canadian office is located at Campus Tower, Suite 300, 8625-112 Street, Edmonton, Alberta, Canada T6G 1K8. Its research and development facility is located at 1134 Dentistry Pharmacy Building, University of Alberta, Edmonton, Alberta T6G 2N8. The Company's U.S. office is located at Suite 125, 303 Wyman Street, Waltham, Massachusetts 02451. All of the above premises are leased by AltaRex.

The Canadian leases are each for a term of five years, with the Canadian office and the research and development facility terminating on December 31, 2001 and July 31, 2002 respectively. The U.S. lease

is for a term expiring on December 31, 2000. The total lease costs under such leases for the Corporation were approximately $353,000 for the fiscal year ended December 31, 1999 and are expected to be the same amounts for the fiscal year ending December 31, 2000.

Competition

The biopharmaceutical industry is intensely competitive. Many companies, including other biopharmaceutical companies and biotechnology companies, are actively engaged in activities similar to those of the Company, including research and development of drugs for the treatment of cancer. More specifically, competitors for the development of new therapeutic products to treat cancer also focus on MAb-based cancer therapeutics, cancer vaccines and other approaches that are based on either stimulation of the body's own immune response or on MAbs. Many of these companies have substantially greater financial and other resources, larger research and development capabilities and more extensive marketing and manufacturing organizations than the Company. In addition, some such companies have considerable experience in preclinical testing, clinical trials and other regulatory approval procedures. There are also academic institutions, governmental agencies and other research organizations which are conducting research in areas in which the Company is working; they may also market commercial products, either on their own or through collaborative efforts.

The Company expects to encounter significant competition for the pharmaceutical products it plans to develop. Companies that complete clinical trials, obtain required regulatory approvals and commence commercial sales of their products before their competitors may achieve a significant competitive advantage. In addition, certain pharmaceutical and biotechnology firms, including major pharmaceutical companies and specialized structure-based drug design companies, have announced efforts in the field of immunological therapy that exploit the presence of TAAs, and the Company is aware that other companies or institutions are pursuing development of new drugs and technologies directly targeted at applications for which the Company is developing its biopharmaceutical products.

Based on its review of the industry, the Company is not aware of any other company that is focusing on AIT® Technology. There are a number of companies however, that focus on the broader use of antibodies to treat various diseases. These companies include Coulter Pharmaceuticals Inc., Genentech, IDEC, Medarex Inc. and Antisoma plc among others. The Company expects that its platform AIT® Technology will attract significant additional competitors over time. In order to compete successfully, the Company's goal is to develop proprietary positions in patented drugs for therapeutic markets which have not been satisfactorily addressed by conventional research strategies and, in the process, extend its expertise in biopharmaceutical product design.

Proprietary Protection

The Company vigorously pursues a policy of seeking patent protection to preserve its proprietary technology and its right to capitalize on the results of its research and development activities and, to the extent it may be necessary or advisable, to exclude others from appropriating its proprietary technology. The Company also relies upon trade secrets, know-how, continuing technological innovations and licensing opportunities to develop and maintain its competitive position. The Company plans to prosecute and defend its intellectual property, including any patents that may issue, and proprietary technology. The Company regularly searches for third-party patents in its fields of endeavor, both to shape its own patent strategy as effectively as possible and to identify licensing opportunities.

Patents

In general, the Company pursues a policy of obtaining patent protection both in the United States and in selected foreign countries for subject matter considered patentable and important to its business. In

addition, a portion of the Company's proprietary position is based upon the use of technology and products the Company has licensed from others, including MAb B43 that binds to an ovarian cancer antigen. This license agreement generally requires the Company to pay royalties upon commercialization of products covered by the licensed technology.

The Company owns seven pending United States patent applications for its therapeutic products and processes. The Company also owns 21 corresponding national patent applications in foreign countries and 2 international patent applications. These patent applications cover various aspects of the Company's core technology products, processes, and the methods for their production and use. These patent applications include both broad and specific claims to various tumor therapies. The Company will continue to aggressively protect its technology with new patent filings with the intent of further extending its patent coverage.

Trademarks and Trade Names

The Company also relies upon trademarks and tradenames to protect its technology. The Company has a registered trademark for its AIT® mark in the United States and Canada and owns a Canadian registration for the trademark IRT® . As well, the Company has pending applications to register trademarks in various countries for the AltaRex name as well as for the brand names (OvaRex™, BrevaRex™ and GivaRex™ MAbs) relating to its developing products.

Trade Secrets

The Company also relies in part on trade secrets, unpatented know-how and continuing technological advancements to maintain its competitive position. It is the practice of the Company to enter into confidentiality agreements with employees, consultants and corporate sponsors. There can be no assurance, however, that these measures will prevent the unauthorized disclosure or use of the Company's trade secrets and know-how.

Clinical Advisory Board

The Company maintains a Clinical Advisory Board ("CAB") composed of outside internationally recognized clinicians and scientists. The CAB meets periodically to review the operational aspects of the Company's clinical program and make appropriate recommendations with regard to the perceived trends and direction of other companies. The members of the CAB have no rights to the Company's technology and each member has signed a confidentiality agreement with the Company. CAB members receive an honorarium of U.S. $15,000 per year. The current composition of the Advisory Board is:

Name	Institution
Robert Ozols, M.D., Ph.D.	Fox Chase Cancer Center, USA
Roger Cohen, M.D.	University of Virginia, USA
Richard Margolese, M.D.	McGill University, Canada
Daniel Von Hoff, M.D.	Arizona Cancer Center, USA
James Holland, M.D.	Mount Sinai School of Medicine, New York, USA

Robert Ozols, M.D. and Ph.D. is Senior Vice President for Medical Science at Fox Chase Cancer Center, Philadelphia. Dr. Ozol serves as Chairman of the Advisory Board and is also Medical Director at the Hospital of the Fox Chase Cancer Center and Professor of Medicine at Temple University. He is currently serving on the Oncologic Drugs Advisory Committee of the FDA. The recipient of the 1990 Cancer Research Award from the Milken Medical Foundation, Dr. Ozols has also been elected to the American Society for Clinical Investigation. Dr. Ozols received his medical degree and a Ph.D. in Biochemistry at the University of Rochester in New York.

Roger Cohen, M.D. is Associate Professor at the University of Virginia, Department of Medicine, Division of Hematology-Oncology and Director of the Clinical Trials Office. Dr. Cohen is also currently an advisor and consultant to the FDA at the Center for Biologics Evaluation and Research. Dr. Cohen received his medical degree at Harvard Medical School and is the recipient of several awards including the FDA Special Recognition Award.

Richard Margolese, M.D. is a Professor in the Department of Oncology, and Herbert Black Chair in Surgical Oncology, McGill University. Dr. Margolese is also Associate Director of Research at Lady Davis Institute, past President of the National Cancer Institute of Canada and past Co-Chairman of the Management Committee of the Canadian Breast Cancer Initiative. Dr. Margolese received his medical degree at McGill University and was awarded the Order of Canada in 1997 - Canada's highest honour for lifetime achievement.

Daniel D. Von Hoff, M.D., F.A.C.P. is director of the Arizona Cancer Center at the University of Arizona in Tucson. He is also professor of medicine at the University of Arizona College of Medicine. Dr. Von Hoff is a graduate of Columbia College of Physicians and Surgeons, New York. He performed his internship and residency in internal medicine at the University of California, San Francisco, and followed that with subspecialty training at the National Cancer Institute, Bethesda, Maryland. He is currently serving as President of the American Association for Cancer Research, which is the largest cancer research organization for professionals in the United States. Dr. Von Hoff is internationally known for his work in drug development research and has been involved in laboratory and clinical studies of more than a dozen new anticancer agents that have been approved by the FDA.

James Holland, M.D. is Distinguished Professor of Neoplastic Diseases, Department of Medicine, Mount Sinai School of Medicine, New York. Dr. Holland holds both a Medical Doctorate degree from Columbia University and a Doctor Science degree from State University of New York. He is past-President of both the American Society of Clinical Oncology and the American Association of Cancer Research and has contributed to over 590 scientific publications.

Scientific Advisory Board

The Scientific Advisory Board of the Company is composed of internationally recognized scientists. The Board meets to review the operational aspects of the Company's technology and discovery research programs. With the exclusion of Dr. Noujaim, Scientific Advisory Board members receive an annual honorarium of U.S.$5,000 plus additional per diem amounts as outlined in their agreements with the Company.

Name	Institution
Antoine Noujaim, Ph.D.	AltaRex Corp. (Chief Scientific Officer), USA and Canada
Jeffrey Schlom, Ph.D.	National Cancer Institute at the National Institutes of Health, USA
Louis Weiner, M.D.	Fox Chase Cancer Center, USA
Aldo Serafini, M.D.	University of Miami, USA
Constantin Bona, M.D., Ph.D.	Mt. Sinai School of Medicine, USA
Dean Mann, M.D., Ph.D.	University of Maryland, USA

Antoine Noujaim, Ph.D. is Chairman of the Board of Directors, Chairman of the Scientific Advisory Board and Chief Scientific Officer at AltaRex Corp. He is also presently a Professor Emeritus at the University of Alberta. He was the co-founder of Biomira Inc. in 1985 where he assumed the position of Senior Vice President and Chief Operating Officer for the Immunoconjugate Division of the Company. In 1994, he became President of Biomira Research Inc., a fully owned subsidiary of Biomira Inc. In December 1995, he founded AltaRex. Dr. Noujaim received his undergraduate degree in Pharmacy from Cairo University in 1958. He obtained his Master and Ph.D. degree in Bionucleonics from Purdue University in 1963 and 1965 respectively. He joined the University of Alberta as an Assistant Professor of Nuclear Pharmacy in 1966, was promoted to full Professor in 1973, and chaired this Division for several years.

Jeffrey Schlom, Ph.D. is Chief of the Laboratory of Tumor Immunology and Biology at the National Cancer Institute at the National Institutes of Health. Dr. Schlom received his B.S. from Ohio State University in 1964, his M.S. from Adelphi University in 1966, and his Ph.D. in 1969 from the Waksman Institute of Microbiology at Rutgers University. He is a member of several professional societies and advisory boards. In addition, he has authored more than 500 scientific publications and holds numerous patents for monoclonal antibody and recombinant vaccine generation and uses. Dr. Schlom currently serves on the editorial boards of nine scientific journals and has won numerous scientific awards.

Louis Weiner, M.D. is Chairman of the Department of Medical Oncology at the Fox Chase Cancer Center. Dr. Weiner joined the Fox Chase Cancer Center in 1984 where he has served as Chairman of the Department of Medical Oncology since 1994. He is a Senior Member in the Division of Medical Sciences. Dr. Weiner's research focuses on the use of antibody-based molecules to target tumors, with emphasis on understanding the principles of tumor targeting and the use of antibodies to initiate tumor specific immune responses. Dr. Weiner is the Eastern Cooperative Oncology Group's (ECOG) Principal Investigator for Fox Chase Cancer Center, the Chairman of the ECOG Committee on Biologic Response Modifiers, and is a member of the ECOG Gastrointestinal Cancer Steering Committee. He is an active lecturer and has been published extensively on the subject of cancer therapies. Dr. Weiner received his M.D. from Mount Sinai School of Medicine.

Aldo Serafini, M.D. has been a Professor of Medicine and Radiology at the University of Miami, School of Medicine since 1984. Dr. Serafini received a M.D. degree from the University of Witwatersrand, Johannesburg, South Africa in 1966. From 1967 to 1972, he was a resident physician at the Jackson Memorial Hospital in Miami. Dr. Serafini is a member of the attending staff at the University of Miami

Hospital and Clinic, the University of Miami/Jackson Memorial Medical Center and at the Cedars Medical Center in Miami. Dr. Serafini has numerous teaching, university committee and administrative responsibilities and is on the editorial board and acts as a reviewer for several academic journals. Dr. Serafini has had 10 visiting professorships awarded to him and has had over 233 publications including articles, books, monograms and abstracts.

Constantin Bona, M.D. is professor of Microbiology at the Mt. Sinai School of Medicine, New York, New York. As the author of more than 280 scientific publications and 12 textbooks in the field, Professor Bona's contributions have been most influential in bringing forth the potential of this technology in the area of cancer therapy. He is also a member of the Royal Society of Medicine, Chief Editor of four International Scientific journals, and serves on the Editorial Board of more than 16 other journals.

Dean Mann, M.D., Ph.D. is head of the Division of Immunogenetics at the University of Maryland and has served for more than 25 years at the National Cancer Institute (NCI) in various capacities including Head of Biochemical Epidemiology and Head of Immunogenetics at the NCI. His work, which was published in more than 220 scientific manuscripts, is recognized for its contribution in the field of viral immunology and its relationship to cancer. Dr. Mann received a M.D. degree from the St. Louis University School of Medicine, St. Louis, MO.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of AltaRex as at December 31, 1999, and January 31, 2000, respectively and as at January 31, 2000 after giving effect to this offering. This table should be read in conjunction with the consolidated financial statements and the notes thereto contained elsewhere in this prospectus.

	Authorized	As at December 31, 1999	As at February 29, 2000	As at February 29, 2000 after giving effect to this offering
Common Shares	Unlimited	$50,427,647	50,446,847[1]	$●
Accumulated deficit during the development stage		(44,209,691)	(45,324,357)[2]	(●)[2]
Total capitalization		$6,217,956	$5,122,490	$●
Number of Common Shares		55,612,613	55,639,279	●

Note:

(1) Without giving effect to the issue of 5,687,546 special warrants of the Corporation on February 29, 2000 at a price of $1.06 per special warrant. Each special warrant entitles the holder to acquire, for no additional consideration, one Common Share or, in certain circumstances, 1.1 Common Shares. As of the date hereof, all of the Special Warrants are outstanding.

(2) This amount represents the accumulated deficit of the Company as at January 31, 2000, the most recent date for which such information is available.

DILUTION

The offering price of $● per Common Share exceeds the net tangible book value per Common Share as at December 31, 1999, after giving effect to the ● Common Shares to be issued in connection with this offering, by $● or ● %. The following table sets out the dilution per Common Share as at December 31, 1999:

Offering price per Common Share[(1)]		$●
Net tangible book value per share as at December 31, 1999	$0.11	
Net tangible book value per share attributable to the distribution of the Common Shares	$●	
Net tangible book value per share after giving effect to the distribution of the Common Shares		$●
Dilution to holders of Common Shares for the distribution of the Common Shares		$●
Percentage of dilution in relation to the offering price for the distribution of the Common Shares		●

Note:

(1) Before deducting fees paid to the Agent and estimated expenses of the offering.

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

The following discussion and analysis explains trends in the Company's financial condition and results of operation for the years ending December 31, 1999, 1998 and 1997. This discussion and analysis of the results of operations and financial condition should be read in conjunction with the financial statements and the related notes included elsewhere in this document. The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada.

Overview

The Company's business is the research, development and commercialization of biopharmaceutical products for the treatment of cancer. Substantially all of the Company's products are subject to regulation by the HPB in Canada, the FDA in the United States, the EMEA in Europe and similar agencies in other countries. None of the Company's products have been approved by regulatory agencies for sale to date. The Company has not been profitable since inception and expects to continue to incur substantial losses in continuing the research, development and clinical trials of its products. The Company does not expect to generate significant revenues until such time as, and unless, its cancer therapeutic products are approved by the various regulatory agencies and become commercially viable.

Acquisition and Amalgamation

Effective July 17, 1996, the Company (at that time known as Allrich Energy Group Inc.) acquired all of the outstanding shares of AltaRex Inc. for a purchase price satisfied through the issue of 7.5 million of the Company's Common Shares. These shares gave AltaRex Inc.'s shareholders a controlling interest in the Company and effectively constituted a reverse take-over by the shareholders of AltaRex Inc. At the time of acquisition, Allrich was an inactive public company. The purpose of the acquisition was to realize funds

associated with a private placement and special warrant offering that were completed at that time and to provide future access to public market funding. Effective May 31, 1997, the Company amalgamated with AltaRex Inc. and continued under the name of AltaRex Corp.

Results of Operations

Through the Company's predecessor AltaRex Inc., the Company commenced operations on December 1, 1995 and completed its first full year of operations on December 31, 1996. As of December 31, 1999, the Company has incurred cumulative losses of $44.2 million. This includes annual losses of $24.0 million, $13.1 million, and $4.7 million for the years ended December 31, 1999, 1998 and 1997 respectively, and a loss of $2.4 million for the period from inception on December 1, 1995 to December 31, 1996. These losses are primarily due to the increased cost of clinical and product development activities, supporting efforts in product commercialization and the settlement of outstanding litigation in 1999. Costs for research and development and supporting activities are expected to decrease in 2000 as a result of cost reduction activities in late 1999. However, the Company expects such costs to increase beyond 2000 as it pursues its development, clinical trials and commercialization programs prior to receiving regulatory approvals and the successful introduction of its products.

Year ended December 31, 1999 compared to year ended December 31, 1998.

Revenues

Revenues for the year ended December 31, 1999 decreased by $0.32 million, from $1.01 million in 1998 to $0.69 million in 1999. Interest income decreased by $0.34 million, from $0.96 million in 1998 to $0.62 million in 1999, due to a lower average balance of cash, cash equivalents and short-term investments in 1999. Research contract revenue from government research contracts remained relatively constant in 1998 and 1999, being $0.05 million and $0.06 million respectively.

Expenses

Expenses for the year ended December 31, 1999 increased by $10.58 million, from $14.13 million in 1998 to $24.71 million in 1999. Research and development expenses increased by $3.39 million, from $9.43 million in 1998 to $12.83 million in 1999. This increase is primarily due to the advancement and continued expansion of the Company's clinical trial programs which included the acceleration of and increase in enrollment in the North American OvaRex™ MAb potentially pivotal trial, the commencement of a second double blind placebo-controlled trial for OvaRex™ MAb and the completion of enrollment in the OvaRex™ MAb open-label Phase II and the BrevaRex™ MAb Phase I trials. The increase includes costs related to production of antibody for clinical trial purposes.

General and administrative expenses increased by $2.11 million, from $4.69 million in 1998 to $6.80 million in 1999. This increase is due to the costs associated with the first full year of operation of the Company’s management office in the United States, the related support costs for increasing research and development activities and increased corporate development activities and patent related costs.

Settlement costs of $5.07 million incurred in 1999 related to the settlement of outstanding litigation with Biomira that pertained to the claimed ownership of certain intellectual property rights and breaches of the Biomira license agreement. These costs incurred included the settlement payment and legal fees.

The Company anticipates that research and development expenses will decrease slightly in 2000 as a result of steps the Company took in the fourth quarter of 1999 to reduce the Company's net cash burn, including suspending the development activities on product candidates other than OvaRex™ MAb.

However, the Company expects that such expenses will increase in 2001 as the Company approaches the submissions for regulatory approval for OvaRex™ MAb and continues development of other product candidates. Similarly, the Company anticipates that general and administrative expenses will decrease in 2000 as a result of cost-reduction initiatives it put in place in the fourth quarter of 1999. The actual levels of research and development and general and administrative expenditures are dependent on many factors, including the progress and results of ongoing clinical and development work, the cost, timing and outcome of the regulatory process, the costs of materials, the cost of preparing, filing, prosecuting, maintaining, defending and enforcing patent claims, the availability and cost of required personnel, the cash resources available to the Company and the extent to which the Company enters into affiliations with one or more corporate partners for the ongoing development and commercialization of its products. See "Liquidity and Capital Resources".

Year ended December 31, 1998 compared to year ended December 31, 1997.

Revenues

Revenues for the year ended December 31, 1998 decreased by $0.61 million, from $1.62 million in 1997 to $1.01 million in 1998. Interest income increased by $0.06 million, from $0.90 million in 1997 to $0.96 million in 1998, due to higher effective interest rates on cash, cash equivalents and short-term investments in 1998. Research contract revenue decreased by $0.63 million, from $0.68 million to $0.05 million in 1998, due to the completion of government research contracts in late 1997 and early 1998.

Expenses

Expenses for the year ended December 31, 1998 increased by $7.83 million, from $6.30 million in 1997 to $14.13 million in 1998. Research and development expenses increased by $4.70 million, from $4.73 million in 1997 to $9.43 million in 1998. This increase is primarily due to the expansion and progress of the Company's clinical trial program for OvaRex MAb, which involved the consolidation of the Company's Phase II clinical trial commenced in Canada in 1997 with its United States Phase IIb clinical trial initiated in 1998 to form a potentially pivotal Phase IIb North American trial. The increase is also due to the costs related to production of antibody for clinical trial purposes.

General and administrative expenses increased by $3.13 million, from $1.56 million in 1997 to $4.69 million in 1998. This increase is primarily due to the addition of key management personnel in 1998, the establishment of an office in the United States in May 1998 and the relocation of certain personnel to such office, as well as the related support costs for increasing research and development activities and patent and corporate development activities.

Year ended December 31, 1997 compared to year ended December 31, 1996.

Revenues

Revenues for the year ended December 31, 1997 increased by $1.53 million, from $0.09 million in 1996 to $1.62 million in 1997. Interest income increased by $0.84 million, from $0.06 million in 1996 to $0.90 million in 1997, due to higher average balances in short-term investments resulting from funds raised in the $27.7 million public share offering completed in December 1996. Research contract revenue increased by $0.67 million, from $0.01 million in 1996 to $0.68 million in 1997, and relates to two government research contracts undertaken by the Company.

Expenses

Expenses for the year ended December 31, 1997 increased by $4.04 million, from $2.26 million in 1996 to $6.30 million in 1997. Research and development expenses increased by $3.01 million, from $1.72 million in 1996 to $4.73 million in 1997. This increase reflects the cost of supporting a higher level of activity in research, product development and clinical trials, including increased staffing and research supplies and the costs of managing clinical trials. Clinical trial activity included the commencement of a Phase II clinical trial of the Company's lead product OvaRex MAb in Canada, as well as the preparation for a Phase IIb clinical trial in the United States.

General and administrative expenses for the year ending December 31, 1997 increased by $1.02 million, from $0.54 million in 1996 to $1.56 million in 1997. This increase is due to the support required of the Company's growth in its research and development programs, its business development activities and the costs related to the maintenance of a publicly-traded company, including increased staffing.

Quantitative and Qualitative Disclosures About Market Risk

At December 31, 1999, the Company had cash and short-term investments of $7.2 million. Included in this balance were short-term financial instruments with a carrying value, including accrued interest, of $4.9 million, consisting of obligations of Canadian federal and provincial governments, as well as corporate obligations. These instruments carry maturities of six months or less and their carrying value approximates fair value. These instruments have a weighted average interest rate of 5.0%. The Company purchased such financial instruments for investment purposes only and not for trading or speculative purposes.

The Company's risks relative to these securities are credit risk and interest rate risk. Regarding credit risk, the Company mitigates such risk by investing only in federal or provincial government securities or investment grade corporate obligations in the form of commercial paper or bankers' acceptances. Regarding interest rate risk, exposure results from changes in short-term interest rates or early redemption of securities. These risks are mitigated by the short-term nature of the portfolio.

Foreign Currency Exposure

The Company currently has a significant portion of its operations in the United States, including the operation of its U.S. office and the ongoing administration of several clinical trials. As well, the Company has significant development and production activities with foreign suppliers, particularly including the development and production of the Company's current antibody supply. Accordingly, a significant portion of the Company's transactions are denominated in U.S. dollars and other foreign currencies and the Company has an exposure risk to foreign exchange rates. The Company partially offsets this risk by maintaining cash balances and short-term investments denominated in U.S. currency. At year-end 1999 the Company had $1.4 million (or 19.5 % of the total cash and short-term investments) invested in U.S. denominated financial instruments and cash deposits. Other than as mentioned here, the Company does not actively engage in hedging or other activities to control the risk of its foreign currency exposure.

Liquidity and Capital Resources

Cash, cash equivalents and short-term investments totaled $7.2 million at December 31, 1999. Since AltaRex's inception through December 31, 1999 the Company has financed its operations primarily through private placements and public offerings of equity securities, amounting to $50.4 million, interest income on invested balances, amounting to $2.5 million and amounts received under research contracts of $0.8 million. On February 29, 2000, the Company closed the sale of 5.7 million Special Warrants, convertible into Common Shares at no additional cost, for gross proceeds of approximately $6.0 million. Net proceeds after deduction of the Agent's fees and expenses are expected to be approximately $5.4

million. The Company sold 39,100,000 Common Shares in 1999 for net proceeds of $17.6 million. The Company currently has no contributing cash flows from operations. As a result, the Company relies on external sources of financing such as the issue of equity or debt securities, the exercise of options or warrants and investment income.

The Company's net cash used in operating activities amounted to $23.2 million, $11.4 million and $4.0 million for the years ended December 31, 1999, 1998 and 1997, respectively, and resulted primarily from its net operating losses. The Company's net cash used in investing activities amounted to $0.8 million, $4.2 million and $9.9 million for the years ended December 31, 1999, 1998 and 1997, respectively, and resulted primarily from purchases of and maturities of short-term investments.

The Company expects to continue to incur substantial research and development expenses, including expenses related to preclinical studies, clinical trials, manufacturing and commercialization activities, and supporting general and administrative expenses. The Company believes that its available cash, cash equivalents and short-term investments, including the proceeds of the sale of Special Warrants on February 29, 2000, the proceeds of this offering and interest earned thereon, should be sufficient to finance its operations and capital needs beyond 2001 and through the filing of an application with the FDA for marketing approval for OvaRex™ Mab. The Company's funding needs may vary depending on a number of factors including progress of its research and development programs, the number and breadth of these programs, the results of preclinical studies and clinical trials, the cost, timing and outcome of the regulatory process, the establishment of collaborations, the cost of preparing, filing, prosecuting, maintaining, defending and enforcing patent claims, the status of competitive products and the availability of other financing.

While the Company believes that currently available funds and the proceeds of this offering will be sufficient to fund operations beyond 2001, if additional funding is necessary, the Company will seek such additional funding through public or private equity or debt financings from time to time, as market conditions permit, or through collaborative arrangements. The Company's ability to access the capital markets or to enlist strategic partners is substantially dependent on the progress of its research and development programs and regulatory approval of its products. There can be no assurance that additional financing will be available on acceptable terms, if at all. If adequate funds are not available, the Company may be required to delay, reduce the scope of, or eliminate one or more of its research and development programs.

PLAN OF DISTRIBUTION

Under an agreement (the "Canadian Agency Agreement") between National Bank Financial Inc. (the "Agent") and the Company dated ● , 2000, the Agent has agreed to offer for sale in Canada on a best efforts basis, if, as and when issued by the Company in accordance with the terms of the Canadian Agency Agreement, up to ● Common Shares at a price of $● (the "Issue Price").

Under an agreement (the "U.S. Placement Agreement") between Greenwich Global, LP (the "U.S. Placement Agent") and the Company dated ●, 2000, the U.S. Placement Agent has agreed to offer for sale in the United States on a best efforts and private placement basis, if, as and when issued by the Company in accordance with the terms of the U.S. Placement Agency Agreement, Common Shares at the Issue Price. The aggregate number of Common Shares sold in Canada and the United States in connection with this offering will not exceed ● Common Shares.

The securities offered under this prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended and, subject to certain exceptions, may not be offered, sold or delivered directly or indirectly, in the United States of America, its territories or possessions.

The Company has agreed to indemnify the Agent and U.S. Placement Agent against certain liabilities. The Company has agreed to pay the Agent and the U.S. Placement Agent an aggregate fee of $● per Common Share sold. These fees will be paid from the proceeds of this offering.

It is expected that the closing of the issue of the Common Shares will take place on or about ●, 2000.

The Company reserves the right to accept or reject any subscription in whole or in part. While the Agent has agreed to use its best efforts to sell the Common Shares, it is not obligated to purchase any Common Shares which are not sold. The obligations of the Agent under the Agency Agreement may be terminated, and the Agent may withdraw all subscriptions for Common Shares on behalf of subscribers, at the Agent's discretion, upon the occurrence of certain stated events including any material change in the business, personnel or financial condition of the Company.

Pursuant to policy statements of the Ontario Securities Commission, the Agent may not during the period of distribution under this prospectus bid for or purchase Common Shares. The foregoing restriction is subject to certain exceptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the market price of the Common Shares. These exceptions include a bid or purchase permitted under the rules and by-laws of The Toronto Stock Exchange relating to market stabilization and passive market-making activities and a bid or purchase made for or on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with this offering, the Agent may over allot or affect transactions which stabilize or maintain the market price of the Common Shares at a level other than those which otherwise might prevail on the open market. Such transactions may commence or be interrupted at any time during the period of distribution.

USE OF PROCEEDS

The estimated net proceeds to AltaRex from the offering, after deducting the agency fees and the estimated expenses of the offering of approximately $● , are $● million. The Company will use the net proceeds of this offering to fund the Company's antibody and clinical trial costs of its lead product, OvaRex™ MAb for ovarian cancer.

The Company intends to use the aggregate of the net proceeds of this offering as follows:

OvaRex™ MAb antibody and clinical trial costs	$● million
Product development and clinical trial costs associated with AR54 MAb and BrevaRex™ MAb	$● million
Working capital requirements	$● million
Total	$● million

DIRECTORS AND OFFICERS

Directors

The following table sets forth, for each director of AltaRex, the name, municipality of residence, the year in which he became a director, and his principal occupation. Directors are elected until the next annual meeting of shareholders or, in the case of a vacancy or resignation, until a successor is elected or appointed.

Name and Municipality of Residence	Director Since	Principal Occupation
RICHARD E. BAGLEY ..... Weston, Massachusetts	February 23, 1998	President and Chief Executive Officer of AltaRex
NORMAND BALTHAZARD ..... Montreal, Quebec	December 22, 1999	President and Chief Executive Officer, BioCapital Investments, Limited Partnership
THE HONOURABLE MONIQUE BÉGIN..... Ottawa, Ontario	May 14, 1998	Member of the Board of Directors of the National Cancer Institute of Canada. Former Canadian Minister of National Health and Welfare
WILLIAM R. MCMAHAN..... Calgary, Alberta	July 15, 1996	President, Oxbow Capital Corporation
DR. ANTOINE A. NOUJAIM ..... Edmonton, Alberta	December 1, 1995	Chairman of the Board and Chief Scientific Officer of AltaRex
DR. JIM A. WRIGHT..... Toronto, Ontario	May 14, 1998	President & Chief Scientific Officer, Lorus Therapeutics Inc.

Executive Officers

The table below sets forth the name, municipality of residence, the first year of employment and the position of each executive officer of the Company on the date hereof.

Name and Municipality of Residence	With AltaRex Since	Position
Richard E. Bagley ..... Weston, Massachusetts	February 23, 1998	President and Chief Executive Officer
Dr. Antoine A. Noujaim..... Edmonton, Alberta	December 1, 1995	Chairman of the Board and Chief Scientific Officer
Edward M. Fitzgerald..... Dover, Massachusetts	September 28, 1998	Senior Vice President, Chief Financial Officer and Secretary
Dr. Christopher F. Nicodemus ..... Charlestown, Massachusetts	January 25, 1999	Senior Vice President, Clinical Research and Development
Peter C. Gonze ..... Sudbury, Massachusetts	October 1, 1999	Senior Vice President, Operations and Investor Relations
Robert A. Newman..... Maynard, Massachusetts	February 3, 1997	Vice President, Business Development
Marlene R. Booth..... Norwell, Massachusettes	June 1, 1999	Vice President, Regulatory Affairs and Project Management

Biographies of Directors and Executive Officers

Dr. Antoine A. Noujaim. Dr. Noujaim is the founder, Chairman and Chief Scientific Officer of the Company. From inception of the Company to February 22, 1998, Dr. Noujaim was also the President and Chief Executive Officer of the Company. From 1985 to 1995, Dr. Noujaim was associated with Biomira, a

Canadian publicly-owned biotechnology company as an officer and a director. From 1994 to 1995 he was President of Biomira's subsidiary, Biomira Research. Prior to 1994 he was Senior Vice President of the Immunoconjugate Division of Biomira. Dr. Noujaim is also Professor Emeritus of the University of Alberta and a director of SYNSORB Biotech Inc. ("SYNSORB"), a Canadian publicly-owned biotechnology company. Dr. Noujaim has served as an officer or Chairman of various scientific organizations, editorial boards and national scientific committees and has authored more than 200 publications.

Richard E. Bagley. Mr. Bagley has been the President and Chief Executive Officer and a Director of the Company since February 23, 1998. Prior to joining the Company, Mr. Bagley was Chairman and Chief Executive Officer of ProScript, Inc., a Massachusetts based biotechnology company from 1995 to 1998 and prior to that he was President and Chief Executive Officer of ImmuLogic Pharmaceutical Company ("ImmuLogic"), a Massachusetts based publicly-owned biotechnology company. Mr. Bagley previously held several executive positions with Bristol-Myers Squibb Company from 1985 to 1990, including President of E.R. Squibb & Sons, U.S. and President of SquibbMark. Prior thereto, Mr. Bagley held executive positions with SmithKline Beecham Company from 1968 to 1985, including President of SmithKline Consumer Products.

William R. McMahan. Mr. McMahan has been a Director of the Company since July 15, 1996. He has served as President of Oxbow Capital Corporation and Oxbow Investments Inc. from 1993 to present and Director of International Marketing for Oxbow Research Limited from 1992 to 1993. Mr. McMahan is also the Chief Operating Officer and a Director of Oxbow Equities Corp., a mutual fund listed on The Toronto Stock Exchange. Mr. McMahan is a Director of UltraVision, Inc. (contact lenses) a Canadian publicly-traded company.

Normand Balthazard. Mr. Balthazard is President and Chief Executive Officer of BioCapital Investments, Limited Partnerships, which he founded in 1990. Mr. Balthazard has extensive experience in the financing of biotechnology companies. Mr. Balthazard received, in 1996, the Fondation Armand-Frappier award in recognition of his contribution to Quebec's biotechnology sector.

The Honourable Monique Bégin. Ms. Bégin has been a Director of the Company since May 1998. She is Professor Emeritus at the University of Ottawa and has served as the Dean of Faculty of Health Sciences at the same institution. She is also a member of the Board of Directors of The National Cancer Institute of Canada. Ms. Bégin is the former Minister of National Health and Welfare Canada from September 1977 to September 1984 and, in that capacity, authored the Canada Health Act of 1984.

Dr. Jim A. Wright. Dr. Wright has been a Director of the Company since May 1998. Since October 1999, Dr. Wright has been a member of the Board of Directors of Lorus Therapeutics Inc. ("Lorus") and serves as its President and Chief Scientific Officer. In 1996 Dr. Wright cofounded GeneSense Technologies Inc. ("GeneSense") and prior to the recent merger of GeneSense and Lorus, he held various positions in GeneSense including Chairman of the Board, President and Chief Scientific Officer. Dr. Wright has also held positions as Professor at the University of Manitoba, Associate Director of the Manitoba Institute of Cell Biology, and he has been a Terry Fox Senior Scientist of the National Cancer Institute of Canada.

Edward M. Fitzgerald. Mr. Fitzgerald has been Senior Vice President, Chief Financial Officer and Secretary of the Company since September 28, 1998. Prior to joining the Company Mr. Fitzgerald was a consultant in private practice. From 1992 to 1997, Mr. Fitzgerald was Director, Mergers & Acquisitions and Director, Consumer Lending Group at BankBoston Corporation. From 1978 to 1992 Mr. Fitzgerald was with Arthur Andersen & Co. in Boston, holding the position of Partner from 1989 to 1992. Mr. Fitzgerald is a licensed Certified Public Accountant.

Dr. Christopher F. Nicodemus. Dr. Nicodemus joined the Company as Senior Vice President, Medical and Regulatory Affairs of the Company on January 25, 1999 and was appointed Senior Vice President, Clinical Research and Development in March, 1999. Prior to joining the Company, Dr.

Nicodemus was Vice President, Medical Affairs from 1998 to 1999 and Vice President, Clinical Operations from 1997 to 1998 of Diatide Inc., a biotechnology company. From 1993 to 1997 Dr. Nicodemus was with ImmuLogic, in the position of Vice President, Medical Affairs from 1994 to 1997 and Senior Director, Medical Affairs from 1993 to 1994.

Peter C. Gonze. Mr. Gonze has been Senior Vice President of Operations and Investor Relations since February 2000 and previously held the position of Vice President Investor Relations and Medical Marketing. He joined the Company on October 1, 1999. From 1996 to 1999, Mr. Gonze served as Divisional Vice President at MediSense Products, Abbott Laboratories. He was employed by The Griffin Group from 1994 to 1996.

Marlene R. Booth. Ms. Booth has been Vice President of Regulatory Affairs and Project Management for the Company since June 1, 1999. From 1997 to 1999 she was Vice President of Project Management, QA and Regulatory at Proscript, Inc. and from 1995 to 1997, Ms. Booth was employed as Senior Director of Regulatory Affairs at Biopure Corporation. She held the position of Vice President, Regulatory Affairs and Quality Assurance from 1992 to 1994 at Ares-Serono.

Robert A. Newman. Mr. Newman has served as Vice President, Business Development for the Company since February 2000. From February 1997 to May 1998 he held the position of Director of Marketing for the Company and from June 1998 to February 2000, he held the position of Executive Director, Business Development. Mr. Newman was Marketing Manager, Canada for Ligand Pharmaceuticals from 1995 to 1997 and Marketing/Program Manager for QLT Phototherapeutics 1994 to 1995.

Audit Committee

The Board of Directors of AltaRex is required to elect annually from among its members an audit committee comprised of not less than three members. At present, the Audit Committee consists of Dr. Jim A. Wright, The Honourable Monique Bégin and William R. McMahan. The Audit Committee must review the annual and interim financial statements of AltaRex and reports thereon to the Board of Directors before such statements are approved by the Board of Directors.

EXECUTIVE COMPENSATION

Compensation of Executive Officers

SUMMARY OF COMPENSATION TABLE

		Annual Compensation		Long-Term Compensation Awards	
Name and Principal Position	Year	Salary ($)	Bonus ($)	Common Shares Under Options Granted (#)	All Other Compensation ($)
Richard E. Bagley[(1)]	1999	386,158	Nil	1,031,250	1,304
President, Chief Executive Officer and Director	1998	315,179	Nil	825,000	Nil

Dr. Antoine A. Noujaim[1] Chairman of the Board, Chief Scientific Officer and Former President and Chief Executive Officer	1999 1998 1997	220,000 220,000 220,000	Nil Nil Nil	Nil Nil Nil	6,777 6,880 6,312
Edward M. Fitzgerald[2] Senior Vice President Chief Financial Officer And Secretary	1999 1998	293,480 92,374	Nil	218,750 175,000	298
Christopher F. Nicodemus[3] Senior Vice President Medical and Regulatory Affairs	1999 1998	290,696	14,973	218,750 175,000	274
Marlene R. Booth[4] Vice President, Regulatory Affairs and Project Management	1999	120,660	Nil	100,000	273

Notes:

(1) Dr. Noujaim became an officer of the Company on July 17, 1996 upon the acquisition by the Company of all of the issued shares of AltaRex Inc. Dr. Noujaim's salary was paid by AltaRex Inc. until May of 1997. Dr. Noujaim ceased to be the President and Chief Executive Officer of the Company on February 23, 1998. Mr. Richard E. Bagley was appointed President and Chief Executive Officer of the Company on that date.

(2) Mr. Fitzgerald joined the Company on September 28, 1998.

(3) Dr. Nicodemus was hired by the Company in December 1998 and commenced work in January 1999.

(4) Ms. Booth joined the Company on June 1, 1999. Prior to employment by the Company, Ms. Booth performed consulting services for the Company and was paid consulting fees of $6,790 in 1999.

Stock Options

The following table details information with respect to the grant of options by the Company to the Named Executive Officers during the financial year of the Company ended December 31, 1999.

OPTION GRANTS DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR

Name	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in in 1999	Exercise Price	Market Price	Expiration Date
Richard E. Bagley	1,031,250	55%	$1.03	$1.03	July 8, 2009
Edward M. Fitzgerald	218,750	12%	1.03	1.03	July 8, 2009
Christopher F. Nicodemus	218,750	12%	1.03	1.03	July 8, 2009
Marlene R. Booth	100,000	5%	0.46	0.46	May 11, 2009

The following table details information with respect to all options of the Company exercised by the Named Executive Officers during the last financial year of the Company and all options held by the Named Executive Officers and outstanding on December 31, 1999.

AGGREGATED OPTION EXERCISES DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR-END AND FINANCIAL YEAR-END OPTION VALUES

Name	Common Shares Acquired on Exercise (#)	Aggregate Value Realized ($)	Unexercised Options at Financial Year-End Exercisable/ Unexercisable(#)	Value of Unexercised in-the-Money Options at Financial Year-End Exercisable/ Unexercisable($)
Richard E. Bagley	Nil	Nil	618,750/1,237,500	NA/NA
Dr. Antoine A. Noujaim	Nil	Nil	375,000/0	NA/NA
Edward M. Fitzgerald	Nil	Nil	131,249/262,501	NA/NA
Christopher F. Nicodemus	Nil	Nil	131,249/262,501	NA/NA
Marlene R. Booth	Nil	Nil	Nil/100,000	NA/3,000

Employment Agreements

The Company has entered into agreements with its executive officers regarding terms of employment and severance arrangements. Dr. Noujaim's agreement, dated January 1, 1996 and amended on June 3, 1999, provides for his employment at will as Chairman and Chief Scientific Officer through December 31, 2001, subject to renewal thereafter. Mr. Bagley's agreement, dated February 28, 1998 and amended on June 4, 1999, provides for his employment at will as President and Chief Executive Officer. Mr. Fitzgerald's agreement, dated September 14, 1998 and amended on June 1, 1999, provides for his employment at will as Senior Vice President, Chief Financial Officer and Secretary of the Company. Dr. Nicodemus' agreement, dated December 16, 1998 and amended on June 1, 1999, provides for his employment at will as Senior Vice President, Clinical Research and Development. These officers of the Company, by virtue of the June, 1999 amendments to their respective agreements, had severance arrangements providing for severance upon termination for other than cause at the rate of their respective base salaries, through the later of December 31, 2001 and the one-year anniversary of termination. These arrangements were further amended by the Board of Directors in December, 1999 to reduce the total amount of severance payable to one year for each of these officers. In exchange for such reduced severance, the Board of Directors granted additional stock options to such officers (see "Stock Options"). Ms. Booth's agreement, dated May 4, 1999, provides for her employment at will as Vice President, Regulatory Affairs and Project Management and severance upon termination other than for cause of six months of base salary.

Compensation of Directors

Effective in 1998, each director, with the exception of Dr. Noujaim and Mr. Bagley, receives a fee of U.S. $10,000 per annum. Further, all directors are eligible to receive stock options and are entitled to receive reimbursement of their reasonable out-of-pocket disbursements incurred on the business of the Company. In the aggregate, a total of $66,670 in fees was paid to the board of directors during the period from January 1, 1999 to December 31, 1999.

AltaRex provides liability insurance for directors and officers of AltaRex. The policies do not distinguish between the liability insurance for its directors and officers, the coverage being the same for both groups. The premiums for the 12-month period ending December 31, 1999 totalled approximately

$47,878 all of which was borne by AltaRex. The coverage is $10,000,000 per year with a corporate deductible of up to $100,000 per loss. The individual directors and officers of AltaRex are insured against losses arising from claims against them for certain of their acts, errors or omissions in such capacity. AltaRex is insured against losses arising out of any liability to indemnify a director or officer.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

No individual who is, or at any time during the most recent completed financial year of the Company was, a director, executive officer or senior officer of the Company, nor any associate of any one of them is, or at any time since the beginning of the most recent completed financial year of the Company has been, indebted to the Company or any of its subsidiaries or was indebted to another entity, which such indebtedness is, or was at any time during the most recent completed financial year of the Company, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries, except that Dr. Thomas Sykes, former Vice President, Preclinical and Support Operations, was indebted to the Company in the amount of US$25,000 which was paid in full upon his resignation from the Company on June 30, 1999.

STOCK OPTIONS

Stock Option Plan

The Company maintains a stock option plan (the "Plan"). The Plan is designed to develop the interest of the directors, officers, employees and other persons who provide ongoing services to the Company and its subsidiaries in the growth and development of the Company by providing such persons with the opportunity to acquire an increased proprietary interest in the Company and to better enable the Company and its Subsidiaries to attract and retain persons of desired experience and ability.

The maximum number of Common Shares which may be reserved for issuance to any person under the Plan or any other previously established or proposed share compensation arrangement of the Company in respect of all options granted to any one person at any one time may not exceed 5% of the issued and outstanding Common Shares. The maximum number of Common Shares reserved for issuance at any time pursuant to the Plan is currently 4,180,000. The vesting and expiry date of options granted under the Plan are determined by the Board of Directors at the time the options are granted provided that the expiry date cannot be later than 10 years from the date of grant of such option. The exercise price of options granted under the Plan is fixed by the Board of Directors and must either be the closing price of the Common Shares on the TSE on the first date proceeding the date of grant or alternatively the weighted average of the trading prices of the Common Shares for the five days preceding the date of grant.

The Company's directors have approved, subject to the approval of shareholders of the Company and any necessary regulatory approval, a further amendment to the Plan. Such shareholder approval will be sought by the Company at its next meeting of shareholders which is expected to be held in May, 2000. If approved, the amendment to the Plan would increase the maximum number of Common Shares reserved for issuance under the Plan from 4,180,000 to 11,500,000 Common Shares.

Options to Purchase Securities

As at the date hereof, there were outstanding options to purchase a total of 3,850,567 Common Shares under the Plan and the following table sets out in detail all stock options issued and outstanding under the Plan.

Group	Number of Shares Under Option	Date of Grant	Exercise Price per Share	Expiry Date
Directors (excluding Executive Officers)	382,500	July 26, 1996	1.80	July 26, 2006
	2,500	July 8, 1997	3.68	July 8, 2007
(five in total)	80,000	May 21, 1998	2.18	May 21, 2008
Executive Officers				
(five in total)	824,130	March 4, 1998	3.00	March 4, 2008
	870	July 6, 1998	3.00	July 6, 2008
	175,000	September 15, 1998	0.91	September 15, 2008
	175,000	December 23, 1998	0.53	December 23, 2008
	100,000	May 11, 1999	0.46	May 11, 2009
	1,468,750	July 8, 1999	1.03	July 8, 2009
	75,000	October 8, 1999	0.90	October 8, 2009
Employees	56,500	July 26, 1996	1.80	July 26, 2006
(fifteen in total)	13,333	February 4, 1997	6.00	February 4, 2007
	10,000	February 11, 1997	5.90	February 11, 2007
	5,000	July 8, 1997	3.68	July 8, 2007
	10,000	February 1, 1998	2.84	February 1, 2008
	92,000	May 21, 1998	2.18	May 21, 2008
	50,000	August 4,1998	1.15	August 4, 2008
	33,334	November 30, 1998	0.80	November 30, 2008
	112,900	July 8, 1999	1.03	July 8, 2009
	53,750	August 19, 1999	0.90	August 19, 2009
Consultants				
Dr. Terry Allen	5,000	July 8, 1997	3.68	July 8, 2007
Dr. Richard Baum	10,000	July 8, 1997	3.68	July 8, 2007
Dr. Beatrice Leveugle	5,000	July 8, 1997	3.68	July 8, 2007
Dr. Gerry Miller	5,000	July 8, 1997	3.68	July 8, 2007
Dr. John Samuels	5,000	July 8, 1997	3.68	July 8, 2007
Dr. Constantine Bona	10,000	July 8, 1997	3.68	July 8, 2007
Dr. Jean-Francois Chatal	10,000	July 8, 1997	3.68	July 8, 2007
Dr. David Goodwin	10,000	July 8, 1997	3.68	July 8, 2007
Dr. James Lown	10,000	July 8, 1997	3.68	July 8, 2007
Dr. Dean Mann	10,000	July 8, 1997	3.68	July 8, 2007
Dr. Paul Muller	10,000	July 8, 1997	3.68	July 8, 2007
Dr. Aldo Serafini	10,000	July 8, 1997	3.68	July 8, 2007
Dr. David Wishart	5,000	November 7, 1997	3.30	November 7, 2007
Genome Securities, Inc.	25,000	July 17, 1998	1.40	July 17, 2008

Note:

On December 22, 1999, the Board of Directors of the Company approved the grant of options to acquire an aggregate of 1,790,000 Common Shares at a price of $0.35 per share to certain officers of the Company and on February 17, 2000, the Board of Directors of the Company approved the grant of options to acquire an aggregate of 2,553,000 shares at a price of $1.49 per share, to directors, officers and employees of, and a consultant to the Company. All of these additional options expire on the tenth anniversary of the date of grant thereof. The ability to exercise any of such options is conditional upon the approval by the shareholders at its next meeting of an amendment to the Plan increasing the Common Shares reserved for issuance from 4,180,000 to 11,500,000.

DESCRIPTION OF SHARE CAPITAL

The authorized share capital of the Company consists of an unlimited number of Common Shares and an unlimited number of Preferred Shares. As of February 29, 2000, 55,639,279 Common Shares (and no Preferred Shares) were issued and outstanding as fully paid and non-assessable. In addition, 4,180,000 Common Shares are reserved for issuance under the Plan (which the Company intends to increase to 11,500,000, subject to shareholder approval as set out under the heading "Stock Options") and 6,256,301 Common Shares are reserved for issuance upon the exercise of outstanding special warrants of the Corporation (See "Prior Sales").

The holders of Common Shares are entitled to dividends, if as and when declared by the directors, to one vote per Common Share at meetings of the holders of Common Shares of the Company and, upon liquidation, to receive such assets of the Company as are distributable to the holders of the Common Shares. The Preferred Shares may be issued in one or more series, and the directors are authorized to fix the number of preferred shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the Preferred Shares of each series. The Preferred Shares are entitled to a priority over the Common Shares in respect of the payment of dividends and distribution of assets upon liquidation of the Company.

DIVIDEND POLICY

Since its incorporation, AltaRex has not paid any dividends on the outstanding Common Shares. The future payment of dividends will be dependent upon the financial requirements of the Company to fund future growth, the financial condition of the Company and other factors which the Board of Directors may consider appropriate in the circumstances. It is unlikely that dividends will be paid in the foreseeable future.

PRIOR SALES

In the twelve months prior to the date hereof, the following Common Shares have been issued by the Company:

Date of Issuance	Number of Common Shares	Issue Price Per Share	Nature of Consideration
May 7, 1999[(1)]	28,510,000	$0.50	Cash
June 1, 1999[(1)]	10,590,000	$0.50	Cash
February 18, 2000[(2)]	26,666	$0.72	Cash
February 29, 2000	[(4)]	$1.06	N/A[(4)]
March 3, 2000[(3)]	488,750	$0.50	Cash
March 8, 2000[(3)]	1,466,250	$0.50	Cash
March 10, 2000[(2)]	16,666	$0.80	Cash

March 13, 2000[2]	3,750	$1.80	Cash

Notes:

(1) Issued pursuant to the Company's prospectus dated April 27, 1999.

(2) Issued upon the exercise of outstanding stock options.

(3) Issued upon the exercise of outstanding compensation options.

(4) 5,687,546 Common Shares are issuable upon the exercise of 5,687,546 outstanding special warrants issued on February 29, 2000, provided that 6,256,301 shall be issuable upon the exercise of such Special Warrants in the event that a receipt for a final prospectus qualifying the distribution of Common Shares issuable upon the exercise of such Special Warrants has not been issued by the securities regulatory authorities in the provinces of Alberta, Ontario and Quebec prior to 5:00 p.m. (Toronto time) on June 28, 2000.

PRINCIPAL SHAREHOLDERS

The following table sets forth the particulars, as of February 29, 2000, with respect to those persons who, to the knowledge of the directors or officers of the Company, beneficially own or exercise control or direction over more than 10% of the Common Shares (being the only class of shares of the Company outstanding):

Name	Number of Common Shares	Percentage of Common Shares
BioCapital Investments, Limited Partnership[1]	7,168,000	12.9
Purdue Pharma L.P.[2]	10,000,000	18.0

(1) Normand Balthazard, President and Chief Executive Officer of BioCapital Investments, Limited Partnership is a Director of the Company. BioCapital Investments, Limited Partnership purchased 650,000 Special Warrants.

(2) Shares are owned by Banela Company and East Hudson Inc., affiliates of Purdue Pharma L.P.

As of February 29, 2000, to the knowledge of AltaRex's directors and officers, there are no other persons who are holders of record or are beneficial owners, directly or indirectly, of shares conferring over 10% of the voting rights attached to the issued and outstanding Common Shares.

Except as disclosed above, as of February 29, 2000, the current directors and officers of AltaRex as a group own, directly or indirectly, or exercise control or direction over a total of 6,466,000 Common Shares representing approximately 11.6% of the issued and outstanding Common Shares.

PRICE RANGE AND TRADING VOLUME OF THE COMMON SHARES

The Common Shares are listed for trading on The Toronto Stock Exchange (the "TSE") and have been so listed since December 1996, prior to which the Common Shares were listed for trading on The Alberta Stock Exchange. The TSE has conditionally approved the listing of the Common Shares offered pursuant to this prospectus, subject to fulfilment by the Company of certain requirements of the TSE. The following table summarizes the reported high and low trading prices and volume of trading of the Common Shares on the TSE for the periods indicated:

	High	Low	Volume
1997			
First Quarter	$7.00	$5.00	1,189,686
Second Quarter	5.50	3.45	1,343,944

Third Quarter	4.30	2.50	1.958.491
Fourth Quarter	3.80	2.10	994.316
1998			
First Quarter	$3.25	$2.25	537.211
Second Quarter	2.54	1.01	960.682
Third Quarter	1.92	0.71	2.359.806
Fourth Quarter	0.85	0.42	2.936.251
1999			
First Quarter	$0.74	$0.42	2.230.579
Second Quarter	1.38	0.42	9.405.848
Third Quarter	1.14	0.76	7.832.196
October	1.00	0.24	5.900.130
November	0.36	0.26	1.368.735
December	0.49	0.28	2.953.002
2000			
January	$1.08	$0.49	7.024.316
February	1.64	0.87	9.251.235
March (to March 15)	5.10	1.29	28,876,279

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The only transactions in which the directors or officers of AltaRex or any of the principal shareholders of AltaRex mentioned under "Principal Shareholders", or any associate or affiliate of any of the foregoing persons or companies has had, since March, 1997, a material interest, direct or indirect, which has materially affected or will materially affect AltaRex or any of its subsidiaries are as follows:

1. Directors and officers of the Company (including associates thereof) purchased an aggregate of 1,160,189 Special Warrants; and

2. BioCapital Investments, Limited Partnership purchased 650,000 Special Warrants.

MATERIAL CONTRACTS

Except for contracts entered into the normal course of its business, the only material contracts entered into by AltaRex during the past two years prior to the date hereof are the Agency Agreement dated April 27, 1999 between First Marathon Securities Limited and HSBC James Capel Canada Inc. and AltaRex relating to the Company's 1999 Common Share offering, the settlement agreement between the Company and Biomira referred to under "Business – Biomira Settlement", the several agreements dated May 13, 1999 between the Company and Purdue Pharma L.P., each of which has been terminated, and the Special Warrant Indenture and the Agency Agreement referred to in "Plan of Distribution".

ESCROWED SHARES

As at the date of this prospectus, a total of 38,250 Common Shares are held in escrow pursuant to an escrow agreement.

As a condition of a share purchase agreement between two predecessor corporations (which subsequently amalgamated to form AltaRex) and all of the then shareholders of the Company, certain shareholders of the Company also entered into an escrow agreement dated July 16, 1996 with the Company and Montreal Trust (the "Voluntary Escrow Agreement"), pursuant to which such shareholders agreed to deposit certain Common Shares in escrow with Montreal Trust. The Voluntary Escrow Agreement provides that the Common Shares deposited thereunder may not be traded, released, transferred or dealt with in any manner. The Voluntary Escrow Agreement allows for the remaining shares held thereunder to be released from escrow on a basis *pro rata* to each shareholder of one common share for each $1.20 of gross research and development costs incurred by the Company, up to a maximum of 2,396,667 Common Shares in any one year. A total of 38,250 Common Shares remain subject to the Voluntary Escrow Agreement.

LEGAL MATTERS

Certain legal matters relating to this offering will be reviewed by McCarthy Tétrault on behalf of AltaRex and by Fogler, Rubinoff LLP on behalf of the Agent.

LEGAL PROCEEDINGS

In February 1999 Biomira Inc. ("Biomira") commenced legal action in the Province of Alberta against AltaRex, the founder of AltaRex and certain other individuals affiliated with AltaRex, claiming ownership of an invention disclosed in an international patent application filed by AltaRex. In March 1999, AltaRex commenced legal action against Biomira seeking a declaratory judgement concerning the terms of a license agreement between the companies and for certain breaches of contract. In September 1999, AltaRex and Biomira entered into a settlement agreement terminating their respective lawsuits and amending and restating the agreements between the companies that gave rise to the issues raised in the lawsuits. As part of that settlement, AltaRex paid, on behalf of Biomira, a $4.2 million repayment of Biomira's liability to Industry Canada, an agency of the Canadian government, under an agreement that had funded development work that principally benefited AltaRex.

Other

The Company is not aware of any material existing or pending legal proceedings against it.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of AltaRex are Arthur Andersen LLP, Chartered Accountants, located at #2100, 355-4 Avenue S.W. Calgary, Alberta T2P 0J1.

The transfer agent and registrar for the Common Shares is Montreal Trust Company of Canada at its offices in Calgary, Alberta and Toronto, Ontario.

PROMOTERS

Dr. Antoine A. Noujaim and William R. McMahan may each be considered promoters under applicable securities laws by virtue of their role in founding and organizing the business of the Company in 1996. Each of Messrs. Noujaim and McMahan is a director and/or officer of the Company and as such

receives a fee for services provided to the Company in such capacity. See "Executive Compensation – Compensation of Directors".

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain provinces 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 or any amendment thereto. In several of the provinces, applicable securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus or any amendment thereto contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of their province for the particulars of these rights or consult with a legal advisor.

GLOSSARY

In this prospectus, the following terms have the following meanings unless the context requires otherwise:

Adjuvant:	An immunogenic substance administered with a vaccine to increase the immune response.
Antibody:	A protein agent developed in response to, and binding specifically with, an antigen.
Anti body-based Immune Therapy or AIT®:	An immunotherapeutic antibody approach that induces the human immune system to produce its own anti-tumor response through several immune pathways.
Anti-idiotype Cascade or Network:	An *in vivo* immune response characterized by antibodies to antibodies resulting in antigen mimics and secondarily by native antibodies reactive to the same antigen as the antibody inducing the cascade.
Antigen:	Substance which elicits a specific immune response.
Ascites-derived material:	Obtained from the fluid of the abdominal cavity of mice that have been implanted with cells that secrete the desired substance (antibody).
B-cell:	A form of immune cell that produces antibodies and is a precursor to a plasma cell.
Cell culture-derived material:	Obtained from the secretion of cells grown in artificial media, often in flasks or tanks.
Cellular response:	An immune system response mediated by immune cells, often cytotoxic and antigen specific.
Current Good Manufacturing Practices or cGMP:	Government promulgated guidelines governing the manufacture of human and animal drugs and biologicals.
Chemotherapy or chemotherapeutic:	Generally, the use of drugs in the treatment of disease. Specifically the use of cytotoxic drugs to treat cancer.
Cytokine:	Low molecular weight proteins that can either stimulate or inhibit the proliferation or function of immune cells.
Cytotoxic T-cells:	Immune system cells capable of killing other cells.

Epitope:	Specific region on an antigen which is recognized by a specific antibody or T-cell.
European Medicines Evaluation Agency or EMEA:	The agency responsible for drug product approval in the European Economic Community.
First line chemotherapy (in ovarian cancer):	The administration of one or more of a combination of chemotherapeutic agent usually consisting of a platinum-based drug and paclitaxel.
Gene:	The basic unit of heredity. Genes are nucleic acid sequences encoding specific proteins that occupy a specific location on a chromosome and are self-producing, submicroscopic structures capable under certain circumstances of giving rise to a new character.
Health Protection Branch or HPB:	The government department responsible for supervising the drug development and approval process in Canada.
Humoral response:	An immune response mediated by antibodies in the blood.
Immunogenicity:	The degree to which an antigen is capable of eliciting an immune response.
Immunotherapy:	A therapeutic approach to treat diseases by modifying the immune response against the disease.
Immunological tolerance:	Characteristic state in which the immune system is rendered unresponsive to an antigen that, under other conditions, would provoke an immune response.
Investigational New Drug Application or IND:	An application to the FDA or other regulatory bodies, which is submitted for approval prior to beginning clinical trials.
Intravenous infusion:	Administration of a medication directly into a vein.
In vitro:	Studies or phenomena which take place outside the body.
In vivo:	Studies or phenomena which take place in the body.
Master Cell Bank or MCB:	A well characterized stock containing specific hybridoma cells that are used in the manufacture of antibodies.
Master Working Cell Bank:	"Manufacturer's" or "Master" Working Cell Bank, often referred to as the "Working Cell Bank" (WCB): a bank derived from the Master Cell

	Bank which acts as the starting source for (antibody) bioproduction.
Monoclonal antibody MAb:	Antibody produced by hybridoma cells, which is homogeneous in structure and specificity.
MUC1:	A mucinous antigen associated with breast and other cancers.
Multi-epitopic response:	Immune response to an antigen that is directed to multiple regions on the antigen recognized by antibodies or T-cells.
Multiple myeloma:	A haematologic malignancy or blood cancer related to leukemia and lymphoma characterized by over-production of abnormal plasma cells in the bone marrow.
Murine:	Of mouse origin.
New Drug Application or NDA:	A document submitted to the FDA or other regulatory bodies containing all the pre-clinical and clinical data collected on a drug to obtain approval for marketing.
New Drug Submission or NDS:	A document submitted to the HPB which is the Canadian counterpart to the NDA.
Potentially pivotal:	A term used to describe clinical trials that would form the basis for a submission seeking marketing approval from regulatory authorities if the statistical goals of the trial are met.
Primary endpoint:	The primary clinical outcome which forms the *a priori* basis of the statistical hypothesis (including sample size estimation) of a well controlled clinical trial. A fully successful study confirms a treatment effect of the magnitude sufficient to provide a statistically significant demonstration of the "primary end point" for regulatory approval of a product.
PSA:	An antigen associated with prostate cancer.
Sera:	The fluid component of blood after separation of cellular components.
Secondary endpoint:	Secondary clinical or biological outcomes that can be assessed in analysis of a clinical trial. Although supportive and potentially important, these endpoints are not the *a priori* primary experimental question proposed for a clinical protocol.

Second-line chemotherapy (in ovarian cancer):	Any one of a combination of drugs consisting of Paclitaxel, Etoposide, CAP (cyclophosphamide, adriamycin, cis-platin) or HCAP (hexamethylmelamine and CAP) or other drugs administered into patients, who are either partial or non-responders to first line chemotherapy.
Surrogate endpoint:	A laboratory or physical sign that is used in clinical trials as a substitute for a clinically meaningful endpoint that is a direct measure of how a patient feels, functions, or survives and that is reasonably likely to predict the effect of therapy.
Surrogate marker:	A laboratory measurement of biological activity within the body that indirectly indicates the effect of treatment on disease state.
T-cell:	A form of immune cell that mediates humoral and cellular immune responses.
Tumor:	An abnormal proliferation of malignant cells.
Tumor antigen or tumor associated antigen or TAA:	An antigen that is predominantly expressed in tumor tissues and may be released into the blood stream in association with the tumor.
Tumor marker:	A biological product (protein or other) that is expressed on tumor cells and secreted usually into the serum, such that presence or activity of the tumor can be measured indirectly through measurement of the marker.
United States Food and Drug Administration or FDA:	The regulatory body that oversees the drug development and approval process in the United States.

CONSOLIDATED FINANCIAL STATEMENTS

ALTAREX CORP.

December 31, 1999 and 1998

AUDITORS' REPORT

To the Shareholders of

AltaRex Corp.

We have audited the consolidated balance sheet of AltaRex Corp. (an Alberta corporation in the development stage) as at December 31, 1999, and the consolidated statements of loss, shareholders' equity and cash flows for the year then ended and for the period from inception (December 1, 1995) through December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada. 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 AltaRex Corp. as at December 31, 1999 and the results of its operations and its cash flows for the year then ended and for the period from inception through December 31, 1999 in accordance with generally accepted accounting principles in Canada.

CHARTERED ACCOUNTANTS

Calgary, Canada
February 9, 2000
(except with respect to the matter
discussed in Note 10 as to which the
date is February 29, 2000)

AUDITORS' REPORT

To the Directors of

AltaRex Corp.

We have audited the consolidated balance sheet of AltaRex Corp. as at December 31, 1998 and the consolidated statements of loss, consolidated statements of shareholders' equity and the consolidated statements of cash flows for the years ended December 31, 1998 and 1997. 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 auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1998 and the results of its operations and its cash flows for the years ended December 31, 1998 and 1997 in accordance with accounting principles generally accepted in Canada.

Edmonton, Canada
February 12, 1999

Chartered Accountants

AltaRex Corp.

(A Development Stage Company)

CONSOLIDATED BALANCE SHEETS

(In Canadian dollars)	As of December 31, 1999	1998
ASSETS		
Current assets		
Cash and cash equivalents	**$2,328,641**	$8,581,688
Short-term investments	**4,878,039**	4,241,732
Accounts receivable	**89,773**	78,616
Prepaid expenses	**64,127**	174,293
	7,360,580	13,076,329
Deposits and other assets	**235,671**	322,840
Notes receivable from employees	**36,285**	106,186
Capital assets	**934,893**	1,654,419
	$8,567,429	$15,159,774
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**$2,302,960**	$2,079,168
	2,302,960	2,079,168
Deferred lease credit	**46,513**	433,766
Total liabilities	**2,349,473**	2,512,934
Commitments and contingencies *[Notes 6 and 10]*		
Shareholders' equity		
Share capital	**50,427,647**	32,838,364
Accumulated deficit during the development stage	**(44,209,691)**	(20,191,524)
Total shareholders' equity	**6,217,956**	12,646,840
	$8,567,429	$15,159,774

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board:

(Signed) Antoine A. Noujaim
Director

(Signed) Richard E. Bagley
Director

AltaRex Corp.

(A Development Stage Company)

CONSOLIDATED STATEMENTS OF LOSS

(In Canadian dollars)	Years ended December 31, **1999**	1998	1997	**Dec. 1, 1995 – Dec. 31, 1999**
REVENUES				
Research contracts	**$65,000**	$50,000	$680,000	**$810,000**
Sale of research materials	**-**	**-**	39,760	**71,869**
Interest income	**622,710**	963,742	900,076	**2,551,196**
	687,710	1,013,742	1,619,836	**3,433,065**
EXPENSES				
Research and development	**12,828,617**	9,433,681	4,733,918	**28,924,048**
General and administrative	**6,802,546**	4,695,990	1,563,555	**13,643,994**
Settlement costs (Note 8)	**5,074,714**	**-**	**-**	**5,074,714**
	24,705,877	14,129,671	6,297,473	**47,642,756**
Net loss for the year	**$(24,018,167)**	$(13,115,929)	$(4,677,637)	**$(44,209,691)**
Net loss per common share	**($0.58)**	($0.79)	($0.29)	
Weighted average number of common shares	**41,389,736**	16,503,764	15,894,880	

The accompanying notes are an integral part of these consolidated financial statements.

AltaRex Corp.

(A Development Stage Company)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Shares		Accumulated Deficit During The Development Stage	Total Shareholders' Equity
	Shares	**Amount**		
Balance at December 1, 1995	**1,169,330**	$ -	$ -	$ -
Issue of shares	25,000	-	-	-
Initial capitalization of Company	-	1,000,000	-	1,000,000
Net loss	-	-	(225,899)	(225,899)
Balance at December 31, 1995	**1,194,330**	1,000,000	(225,899)	**774,101**
Private placement of shares of AltaRex Inc.	-	175,200	-	175,200
Issue of shares of AltaRex Inc. in settlement of interest payable	-	12,066	-	12,066
Shares issued in private placement of unit sales	1,497,500	2,310,424	-	2,310,424
Shares issued to acquire AltaRex Inc.	7,525,000	1	-	1
Exercise of Special Warrants	797,500	1,210,000	-	1,210,000
Issuance of common shares in public offering	4,100,000	25,036,466	-	25,036,466
Exercise of stock options	116,933	76,014	-	76,014
Exercise of warrants	43,300	103,920	-	103,920
Net loss	-	-	(2,172,059)	(2,172,059)
Balance, December 31, 1996	**15,274,563**	**29,924,091**	**(2,397,958)**	**27,526,133**
Exercise of stock options	95,000	170,931	-	170,931
Exercise of warrants	1,113,050	2,689,342	-	2,689,342
Net loss	-	-	(4,677,637)	(4,677,637)
Balance, December 31, 1997	16,482,613	32,784,364	(7,075,595)	**25,708,769**
Exercise of stock options	30,000	54,000	-	54,000
Net loss	-	-	(13,115,929)	(13,115,929)
Balance, December 31, 1998	**16,512,613**	**32,838,364**	**(20,191,524)**	**12,646,840**
Issuance of common shares in public offering	39,100,000	17,589,283	-	17,589,283
Net loss	-	-	(24,018,167)	(24,018,167)
Balance, December 31, 1999	55,612,613	$50,427,647	$(44,209,691)	**$6,217,956**

The accompanying notes are an integral part of these consolidated financial statements.

AltaRex Corp.

(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31,			Dec. 1, 1995 – Dec. 31,
	1999	**1998**	**1997**	**1999**
(In Canadian dollars)				
CASH USED IN OPERATING ACTIVITIES				
Net loss	**$(24,018,167)**	$(13,115,929)	$(4,677,637)	**$(44,209,691)**
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization	**565,218**	548,687	366,268	**1,617,706**
Amortization of deferred lease credit	**(78,920)**	(168,551)	(64,324)	**(311,795)**
Interest expense satisfied through issuance of common shares	-	-	-	**12,066**
Net changes in non-cash working capital balances	**291,491**	1,301,468	374,431	**1,913,388**
	(23,240,378)	(11,434,325)	(4,001,262)	**(40,978,326)**
CASH USED IN INVESTING ACTIVITIES				
Purchase of capital assets	**(154,026)**	(573,698)	(853,826)	**(2,194,293)**
Maturities and purchases of short-term investments	**(636,307)**	4,794,268	(9,036,000)	**(4,878,039)**
Acquisition of AltaRex Corp.	-	-	-	**(30,250)**
	(790,333)	4,220,570	(9,889,826)	**(7,102,582)**
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES				
Issue of common shares, net	**17,589,283**	54,000	2,860,273	**46,895,157**
Issue of Private Placement Units,	-	-	-	**2,340,674**
Issue of Special Warrants, net	-	-	-	**1,210,000**
Deferred finance costs	**118,477**	(118,477)	(219,028)	-
Employee relocation loans	**69,904**	(106,186)	-	**(36,282)**
	17,777,664	(170,663)	2,641,245	**50,409,549**
Net increase (decrease) in cash and cash equivalents	**(6,253,047)**	(7,384,418)	(11,249,843)	**2,328,641**
Cash and cash equivalents, Beginning of period	**8,581,688**	15,966,106	27,215,949	-
Cash and cash equivalents, End of period	**$2,328,641**	$8,581,688	$15,966,106	**$2,328,641**
Supplemental disclosure of noncash investing and financing activities:				
Leasehold improvements financed with deferred lease credit	**$ -**	$46,641	$620,000	**$666,641**

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1999 and 1998

(In Canadian dollars)

1. BASIS OF PRESENTATION

Description of business

AltaRex Corp. (the Company), incorporated under the Business Corporations Act (Alberta), is a development-stage biotechnology company that is engaged in the research and development of biopharmaceutical products for the therapy of cancer.

The Company's ability to complete its research and development program and commercialize its technology is dependent on the Company continuing to arrange the necessary financing and the receipt of regulatory approvals to use its products in the therapy of cancer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada, which do not differ materially from those established in the United States, except as disclosed in Note 9. The preparation of financial statements in accordance with such principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Consolidation of subsidiaries

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, AltaRex US, Corp. All significant intercompany balances have been eliminated in consolidation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1999 and 1998

(In Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Research material sales are recognized as revenue when materials are delivered.

Revenue from research contracts, which includes government funding of research projects, is recognized as the services are performed based on costs incurred or, for those contracts that provide for milestone payments, as milestones are achieved. Amounts received in advance of services to be performed are recorded as unearned revenue.

Cash and cash equivalents

Cash equivalents are stated at cost, which approximates fair value. The Company considers highly liquid investments with original maturities of ninety days or less to be cash equivalents and includes money market accounts and commercial paper that are readily convertible to cash.

Short-term investments

Short-term investments consist of investments with original maturities between three and twelve months. These investments consist of government and commercial instruments and are carried at cost, which approximates their fair market value. At December 31, 1999, short term investments have maturity periods averaging 2.5 months (1998 - 2.5 months) and average interest rates approximating 5.0% (1998 - 5.1%).

Deposits and other assets

Deposits and other assets primarily consist of down payments on service contracts. These payments are deferred and expensed as services are provided under the terms of the contract.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1999 and 1998

(In Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets

Capital assets are stated at cost net of investment tax credits, accumulated amortization and depreciation. Depreciation and amortization are provided at rates which are designed to allocate the cost of the assets, on a straight-line basis, over their estimated useful lives as follows:

Scientific equipment	5 years
Computer software and equipment	3 years
Office equipment	5 years
Leasehold improvements	3 - 5 years, term of lease

Property and equipment at December 31, 1999 and 1998 consisted of the following:

	1999		**1998**	
	Cost	**Accumulated depreciation/ amortization**	**Cost**	**Accumulated depreciation/ amortization**
Scientific equipment	**$1,195,173**	**$783,076**	$1,187,996	$543,893
Computer software and equipment	**440,540**	**266,344**	301,968	150,688
Office equipment	**424,836**	**205,525**	416,559	117,151
Leasehold improvements	**281,040**	**151,751**	781,041	221,413
	$2,341,589	**$1,406,696**	$2,687,564	$1,033,145
Net book value	**$934,893**		$1,654,419	

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred lease credit

The deferred lease credit relates to leasehold improvements provided to the Company by the landlord for its leased office and research facilities. The deferred lease credit is being amortized over the terms of the lease agreements which are three to five years. Certain deferred lease credits were reduced during 1999 along with the related leasehold improvements as a result of the Company's reduced utilization of certain facilities.

Research and development costs

Research costs are expensed in the period incurred. Development costs are expensed in the period incurred unless the Company believes a development project meets generally accepted accounting principles for deferral and amortization. No development costs have been deferred to date.

Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated into Canadian dollars at the rate of exchange at the period end; transactions during the period are translated at the rate of exchange in effect at the date of the transaction. Gains and losses arising from these translation adjustments are included in the consolidated statements of loss.

Investment tax credits

The Company is permitted to offset Canadian federal income taxes payable with unapplied investment tax credits which are based on the cost of carrying on qualifying research and development activities and the cost of qualifying new equipment (see note 5).

Refundable investment tax credits received by the Company relating to the acquisition of assets are deducted from the cost of the related asset. Refundable investment tax credits received by the Company relating to current expenses have been included in the determination of net loss as a reduction of research and development costs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1999 and 1998

(In Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

Income taxes have been provided on a deferred tax allocation basis whereby the provision for income taxes is determined on the basis of income and expenses included on the statement of income rather than the related amounts reported in the income tax returns of the Company. Deferred income taxes relate primarily to differences between the amount of depreciation and amortization recorded for accounting purposes and capital cost allowance claimed for income tax purposes. Due to the fact that the Company has incurred losses since inception, no income tax provision or benefit has been recorded.

Concentration of credit risk

The Company has no significant off-balance-sheet concentrations of credit risk such as foreign exchange contracts, option contracts or other hedging arrangements. Financial instruments that potentially subject the Company to concentrations of credit risk are principally cash equivalents, short-term investments, accounts receivable and accounts payable.

Fair value of financial instruments

Financial instruments consist principally of cash and cash equivalents, accounts receivable and accounts payable and notes receivable. The estimated fair value of these instruments approximates their carrying value.

Net loss per share

Basic and diluted net loss per common share was determined by dividing net loss by the weighted average common shares outstanding during the period. Basic and diluted net loss per share are the same, as outstanding common stock options and warrants are antidilutive as the Company has recorded a net loss for all periods presented. Options and warrants to purchase a total of 4,020,149 and 1,966,667 common shares have been excluded from the computation of diluted weighted average shares outstanding for the year ended December 31, 1999. (1998 – 2,270,749 and 41,667 respectively; 1997 – 978,833 and 1,325,317 respectively)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1999 and 1998

(In Canadian dollars)

3. NOTES RECEIVABLE FROM EMPLOYEES

The notes receivable from employees balance is comprised of employee relocation loans. The notes are unsecured, non-interest bearing, denominated in U.S. dollars, and have maturity dates ranging from March to October 2001.

4. SHARE CAPITAL

Authorized

The authorized share capital of the Company consists of an unlimited number of common shares and an unlimited number of preferred shares.

The preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series.

On May 7 and June 1, 1999, the Company issued a total of 39,100,000 common shares in a public offering for net proceeds of $17,589,283 after related issue expenses of $1,960,717. In connection with this transaction, the Company granted options to the agents of this issue to purchase 1,955,000 common shares at the issue price of $0.50 per share for a period of two years as additional compensation.

As at December 31, 1999, a total of 38,250 (December 31, 1998 - 2,649,552) common shares of the Company are being held in escrow for regulatory purposes and will be released in 2000. A total of 2,611,302 and 2,611,442 common shares were released from escrow in 1999 and 1998, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1999 and 1998

(In Canadian dollars)

4. SHARE CAPITAL (CONTINUED)

Warrants and stock option plan

In 1999, the Company amended its stock option plan for directors, officers, employees and consultants. Pursuant to the amended plan, a total of 4,180,000 (December 31, 1998 – 2,480,000) common shares of the Company are reserved for issue of stock options, of which 34,851 (December 31, 1998 - 209,251) are available for grant at December 31, 1999. At December 31, 1999, there were 3,863,483 (December 31, 1998 - 2,114,083) stock options outstanding for directors, officers and employees and 156,666 (December 31, 1998 - 156,666) options for consultants. See Note 10 for subsequent issue of warrants and options.

The following schedule details the warrants and stock options granted, exercised, expired and cancelled.

	Shares issuable on exercise of		
	Stock Options	**Warrants and other Options**	**Exercise price per share**
Balance at December 31, 1996	**858,500**	**2,396,700**	**$1.80 - 3.00**
Granted	217,833	41,667	3.30 - 12.00
Exercised	(95,000)	(1,113,050)	1.80 - 3.00
Cancelled	(2,500)		3.68
Balance at December 31, 1997	**978,833**	**1,325,317**	**1.80 - 12.00**
Granted	1,723,666		0.53 - 3.00
Exercised	(30,000)		1.80
Cancelled	(401,750)		1.15 - 5.90
Expired		(1,283,650)	1.80 - 3.00
Balance at December 31, 1998	**2,270,749**	**41,667**	**0.53 - 12.00**
Granted	1,869,400	1,955,000	0.46 - 1.03
Cancelled	(120,000)		1.80 - 5.90
Balance at December 31, 1999	**4,020,149**	**1,996,667**	**$0.46 – 12.00**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1999 and 1998

(In Canadian dollars)

4. SHARE CAPITAL (CONTINUED)

The following table summarizes information relating to currently outstanding and exercisable options as of December 31, 1999.

	Outstanding			Exercisable	
Range of Exercise Price	**Number of Shares**	**Weighted Average Contractual Life (Years)**	**Weighted Average Exercise Price**	**Number of Shares**	**Weighted Average Exercise Price**
$0.46 – 0.53	275,000	9.1	$0.50	150,000	$0.51
0.72 – 1.03	2,021,066	9.3	1.00	766,466	0.98
1.15 – 1.40	75,000	8.6	1.23	50,000	1.23
1.80 – 2.18	656,250	7.1	1.92	588,250	1.89
2.84 – 3.68	969,500	8.1	3.09	691,167	3.13
5.90 – 6.00	23,333	7.1	5.96	23,333	5.96
	4,020,149		**$1.65**	**2,269,216**	**$1.90**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1999 and 1998

(In Canadian dollars)

4. SHARE CAPITAL (CONTINUED)

The following warrants and options to purchase common shares are outstanding at December 31, 1999.

Shares Issuable on Exercise of			
Stock Options	**Warrants and Other Options**	**Exercise Price per Share**	**Year of Expiry**
26,666		$0.72	2000
	41,667	12.00	2000
	1,955,000	0.50	2001
452,250		1.80	2006
10,000		5.90	2006
134,500		3.30-3.68	2007
13,333		6.00	2007
400,000		0.53-1.40	2008
75,000		1.15-1.40	2008
1,039,000		2.18-3.00	2008
287,750		0.46-0.90	2009
1,581,650		1.03	2009
4,020,149	**1,996,667**		

5. INCOME TAX

The Company is eligible for scientific research and development investment tax credits which may be applied against federal taxes payable. The accumulated non-refundable investment tax credits as at December 31, 1999 is approximately $2,570,000 (December 31, 1998 - $1,923,000).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1999 and 1998

(In Canadian dollars)

5. INCOME TAX (CONTINUED)

As at December 31, 1999, the Company has scientific research and experimental development expenditures for tax purposes of approximately $10,900,000 (December 31, 1998 - $8,146,000) which may be carried forward indefinitely and utilized by reducing income for income tax purposes.

As at December 31, 1999, the Company has approximately $35,900,000 (December 31, 1998 - $12,984,000) of non-capital losses available to be applied to taxable income of future years. These losses expire between 2001 and 2006.

Due to the uncertainty surrounding the Company's ability to utilize its carryforwards, no recognition has been given in these financial statements to the potential tax benefits which may result from these carry forward amounts.

6. COMMITMENTS AND CONTINGENCIES (SEE NOTE 10)

(a) Leases

The Company leases office and research facilities and is committed to annual minimum basic rent payments as follows:

2000	$353,123
2001	107,289
2002	42,895
	$503,307

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1999 and 1998

(In Canadian dollars)

6. COMMITMENTS AND CONTINGENCIES (See note 10) (CONTINUED)

(b) License and Other Agreements

On December 1, 1995, AltaRex Inc. acquired from Biomira Inc. ("Biomira") an exclusive world-wide right and license to a certain antibody, its cell bank, related data, records and proprietary rights (the "Technology") for a non-refundable cash fee of $150,000, which was charged to research and development expenses. In 1999, in connection with the settlement of litigation between the Company and Biomira, (see note 8) the license agreement was amended and restated. As amended, the license agreement requires the Company to use its best efforts to commercialize the Technology, to spend certain minimum amounts to develop the Technology and to pay royalties to Biomira upon commercialization of products developed from the Technology. The term of the agreement extends to the later of the ten year anniversary of first commercialization of a product or the expiration date of certain patent rights included in the Technology. At the end of the term of the agreement, the Company will have a world-wide, exclusive, fully paid up right and license to use the Technology for certain applications. The Company and Biomira have the right to terminate the agreement upon forty-five days notice if the other party defaults in the performance, observance or fulfillment of any of its obligations under the agreement.

The Company is party to an agreement with the Alberta Heritage Foundation for Medical Research to jointly fund clinical trials, with the Company controlling, through ownership or licensing, all of the technology. Total funding available of $500,000 was received and recorded as revenue in 1997. The Company is required to repay this funding and a royalty equivalent to the amount actually received, from the commercial success of the resulting products and technology, at a rate of the lesser of 5% of gross sales or $100,000 per annum. In addition, the Company granted Warrants in connection with this agreement which entitle the holder to obtain 41,667 common shares. These warrants are exercisable at $12.00 per share and expire in 2000.

The Company has contracted certain research projects to a third party consultant for a three year period ending March 2000. Fees will be paid to the consultant to a maximum of $300,000 per annum.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1999 and 1998

(In Canadian dollars)

7. SEGMENTED DISCLOSURE

The Company has considered the reporting requirements of the Canadian Institute of Chartered Accountants on segment disclosures. The Company has determined that it manages its operations as one reportable segment of a biotechnology company engaged in the research and development of biopharmaceutical products for the therapy of cancer. All of the Company's revenues are generated in Canada. The Company's capital assets are located in Canada with the exception of $336,000 (1998 - $332,000) located in the United States.

8. LEGAL MATTERS

On February 26, 1999, Biomira commenced legal action against the Company, the founder of the Company and certain other individuals associated with the Company, claiming ownership of an invention disclosed in an international patent application filed by the Company. On March 16, 1999, the Company commenced legal action against Biomira related to certain breaches of the Biomira license agreement between the parties. On September 3, 1999, the Company and Biomira reached a settlement of this litigation which provided for:

- The assignment to the Company of any interest Biomira might have in the patent application that was the subject of the lawsuit filed by Biomira,

- The payment by the Company, on behalf of Biomira, of a $4.2 million liability of Biomira to Industry Canada, an agency of the Canadian government, under a 1991 contribution agreement which, in part, funded research related to the Technology licensed by Biomira to the Company, and termination of the contribution agreement,

- The agreement by the Company to pay up to $250,000 to an agency of the government of the Province of Alberta upon successful commercialization of OvarexTM MAb, also related to funding provided to Biomira in support of the Technology and

- The amendment and restatement of the license agreement between the parties (see Note 6).

The Company incurred total costs related to this litigation and settlement, including the settlement payment and legal fees, of $5.1 million in 1999.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1999 and 1998

(In Canadian dollars)

9. RECONCILIATION TO ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada (Canadian GAAP) which conform in all material respects to those accounting principles generally accepted in the United States (U.S. GAAP), except as follows:

(a) Accounting for income taxes

For U.S. GAAP purposes, the Company would be required to account for income taxes in accordance with the provisions of Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" (SFAS 109). SFAS 109 requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year. In addition, for U.S. GAAP purposes, a deferred tax asset, net of a valuation allowance, would be recorded to recognize the future benefit of loss carryforwards when the realization of the benefit is determined to be more likely than not. For Canadian GAAP purposes, the benefits of such losses may only be recorded in the period incurred if realization is virtually certain. At December 31, 1999, the Company has determined that the deferred tax asset net of a valuation allowance of $23,700,000 (December 31, 1998 - $11,066,000) would be nil (nil at December 31, 1998).

Beginning in the first quarter of 2000, Canadian GAAP will require the Company to account for their income taxes on a basis similar to SFAS 109. Management does not expect this change to have a material effect on its consolidated financial position or results of operations.

(b) Accounting for stock-based compensation

For U.S. GAAP purposes, the Company would account for stock-based compensation to employees in accordance with Accounting Principles Board (APB) Opinion No. 25. For U.S. GAAP purposes, no compensation expense would be recognized on the Company's stock options and warrants granted, since the exercise price of these instruments equal the fair value of the Company's stock as at the date of the grant. Stock-based compensation to non-employees would be recorded at the fair value of the options and warrants granted. This compensation expense would be amortized over the appropriate vesting periods. As at December 31, 1999, the unamortized compensation benefit that the Company would record as additional compensation expense in future periods for options granted to non-employees amounts to $12,000 (December 31, 1998 - $89,000).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1999 and 1998

(In Canadian dollars)

9. RECONCILIATION TO ACCOUNTING PRINCIPLES GENERALLY ACCEPTED INTHE UNITED STATES (CONTINUED)

Additionally, during 1999, the Company issued 1,955,000 options to agents of its offering of common shares. The compensation related to this issuance of $554,000 would be recognized as a reduction in the net proceeds of the offering and an increase in share capital for the value of the options. Accordingly, there would be no net effect on the share capital of the Company.

(c) Reverse take-over costs

For Canadian GAAP purposes, costs incurred in connection with the Company's reverse take-over are presented as a charge against shareholders' equity. For U.S. GAAP purposes, these costs totalling $495,000 would be charged to expense. Accordingly, net loss for the year ended December 31, 1996 and share capital for each of the periods presented would increase by $495,000.

(d) Comprehensive income

For U.S. GAAP purposes, the Company would adopt the disclosure requirements of Financial Accounting Standard No. 130 ('SFAS 130'). SFAS 130 requires the presentation of comprehensive income and its components. Comprehensive income includes all changes in equity during a period except shareholder transactions. For the periods presented, comprehensive income would equal net loss determined for U.S. GAAP purposes as set out in the following table.

The following table reconciles the net loss as reported on the statements of loss to the net loss that would have been reported had the financial statements been prepared in accordance with U.S. GAAP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1999 and 1998

(In Canadian dollars)

9. RECONCILIATION TO ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES (CONTINUED)

	Years ended December 31,			Dec. 1, 1995 - Dec. 31,
	1999	**1998**	**1997**	**1999**
Net loss per Canadian GAAP	**$24,018,167**	$13,115,929	$4,677,637	**$44,209,691**
Adjustment for stock -based compensation	**17,000**	130,000	163,000	**385,000**
Adjustments of reverse take-over costs	**-**	-	-	**495,000**
Net loss per U.S. GAAP	**$24,035,167**	$13,245,929	$4,840,637	**$45,089,691**
Basic and diluted net loss per share, U.S. GAAP	**$(0.58)**	$(0.80)	$(0.30)	
Basic and diluted weighted-average Number of common share	**41,389,736**	16,503,764	15,894,880	

The following summarizes balance sheet items with material variations under U.S. GAAP.

	December 31, 1999	**December 31, 1998**
Share capital	**$51,307,647**	$33,701,364
Accumulated deficit	**45,089,691**	21,054,524

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1999 and 1998

(In Canadian dollars)

10. SUBSEQUENT EVENTS

On February 29, 2000, the Company issued 5,687,546 special warants in a private placement at $1.06 per special warrant, resulting in gross proceeds of $6.03 million. Each special warrant is convertible into one common share, at no additional cost to the investor, upon the clearance of a prospectus with Canadian securities commissions, or into 1.1 common shares if such prospectus is not cleared by June 28, 2000.

On February 17, 2000, the Board of Directors of the Company approved an increase in the number of common shares reserved under the Company's stock option plan from 4,180,000 to 11,500,000 shares and awarded stock option grants to directors, officers and employees of and a consultant to the Company in the total amount of 4,343,000 common shares. The increase in the number of shares reserved under the plan is subject to shareholder approval at the Company's next annual meeting of shareholders. The ability of optionees to exercise the options currently granted is conditioned upon shareholder approval of the increase in shares reserved under the plan.

CERTIFICATE OF ALTAREX CORP.

Dated: March 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 XV of the *Securities Act* (Ontario) and by the respective regulations thereunder.

(Signed) RICHARD E. BAGLEY
President and Chief Executive Officer

(Signed) EDWARD M. FITZGERALD
Senior Vice President, Chief Financial Officer and Secretary

On behalf of the Board of Directors

(Signed) ANTOINE A. NOUJAIM
Director

(Signed) WILLIAM R. MCMAHAN
Director

CERTIFICATE OF AGENT

Dated: March 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 XV of the *Securities Act* (Ontario) and by the respective regulations thereunder.

NATIONAL BANK FINANCIAL INC.

(Signed) JACQUES LEMAY

The following includes the name of every person or company having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of:

National Bank Financial Inc. is an indirect wholly-owned subsidiary of a Canadian chartered Bank