

# **XILLIX TECHNOLOGIES CORP.**

Form 27  
Securities Act

## **MATERIAL CHANGE REPORT**

### **Item 1. Issuer**

The full name of the Issuer is Xillix Technologies Corp. (the "Company"), whose principal office in Canada is located at 100-13775 Commerce Parkway, Richmond, British Columbia, V6V 2V4.

### **Item 2. Date of Material Change**

The effective date of the material change herein reported is August 4, 2000.

### **Item 3. Press Release**

The press release was issued on August 4, 2000 at Richmond, British Columbia.

### **Item 4. Summary of Material Change**

The Company entered into a Confidential Cross-License and Settlement Agreement with Olympus Optical Co. Ltd. ("Olympus") of Japan on August 4, 2000 that resolves certain disputes between the Company and Olympus that were the subject of an arbitration proceeding before the Japan Commercial Arbitration Association as described in the press release issued on August 4, 2000.

### **Item 5. Full Description of Material Change**

The Confidential Cross-License and Settlement Agreement provides for Olympus to grant to Xillix a perpetual non-exclusive royalty-free license under certain claims of United States Patent No. 5,749,830 and under patents that may issue under certain Japanese patent applications ("Kokai") filed by Olympus, as well as foreign counterparts. Xillix grants to Olympus a perpetual non-exclusive royalty bearing license granted under United States Patent No. 5,837,190 including continuations and foreign counterparts.

The parties agreed to terminate their prior contractual relationships. Incident to the termination of those contractual relationships, Olympus will to pay to Xillix US \$2.059 million for certain outstanding additional development costs incurred by Xillix and US \$2.841 million on account of other contractual obligations, including minimum purchase commitments of Olympus for 1999 and 2000 that were affected by the disruption of the parties' business relationships. These amounts must be paid by August 28, 2000. In addition, Olympus will in the future pay an undisclosed minimum

annual prepaid patent royalty to Xillix commencing in the year 2002 and running through 2006.

The parties will withdraw with prejudice their respective claims and counterclaims in the arbitration and grant each other mutual general releases. Any disputes arising under or out of the Agreement, will be subject to arbitration.

**Item 6. Confidential Report**

Not applicable.

**Item 7. Omitted Information**

No significant facts have been omitted from this report.

**Item 8. Senior Officers**

Pierre Leduc, President and Chief Executive Officer, is the officer knowledgeable about the details of this material change report.

**Item 9. Statement of Senior Officer**

The foregoing accurately discloses the material change referred to herein.

DATED at Richmond, British Columbia this 4th day of August, 2000.

“Pierre Leduc”  
Pierre Leduc  
President and Chief Executive Officer

## **XILLIX NEWS RELEASE**

**For Immediate Release**

**August 4, 2000**

### **Xillix and Olympus Reach Business Resolution to Outstanding Disputes**

(Richmond, B.C.) –Xillix Technologies Corp., Richmond, B.C. announced today that Xillix and Olympus Optical Co., Ltd. of Tokyo, Japan have agreed to a business resolution of disputes that had arisen during the course of their distribution and joint development agreements. Pursuant to this agreement, Olympus and Xillix will withdraw with prejudice all of their claims and counterclaims pending in the arbitration commenced by Xillix before the Japan Commercial Arbitration Association, with no admission of liability by either party.

The business resolution provides for the parties to cross-license certain patents relating to autofluorescence imaging. Olympus will grant to Xillix a royalty-free nonexclusive perpetual license to Japanese patents and foreign counterparts that may issue in the future under a number of pending Japanese patent applications and also to a United States patent granted to Olympus. For an undisclosed royalty, including provision for minimum royalties, Xillix will grant to Olympus a nonexclusive perpetual license to one of Xillix's U.S. patents and its foreign counterparts covering the application of fluorescence imaging technology to video endoscopes. In addition, the parties agreed to terminate their prior contractual relationships. In connection with the termination of these relationships, Olympus agreed to make certain payments to Xillix that had been under discussion at the time Xillix filed its arbitration claims. The discussions had been suspended during the course of the arbitration, but have now been concluded. In particular, Olympus agreed to pay Xillix approximately U.S. \$2.1 million (approximately CAD \$3.1 million) for outstanding additional development costs that Xillix had incurred during the course of performing its development obligations. Olympus also agreed to pay to Xillix approximately U.S. \$2.8 million (approximately CAD \$4.1 million) on account of other contractual obligations, including minimum purchase commitments for Xillix's LIFE-Lung

Fluorescence Endoscopy System™ during the years 1999 and 2000 that were affected by the disruption of the parties' business relationship. These amounts are to be paid by August 28, 2000.

During the course of the arbitration process, which Xillix began in July 1999, Xillix has come to understand that this unfortunate dispute appears to have been a result of genuine misunderstandings. Xillix accepts that Olympus acted in good faith and did not intend to harm Xillix. Xillix sincerely regrets its misperception of Olympus's intentions and offers its deep regrets to Olympus, its employees and members of the medical community for its part in the misunderstandings that have arisen. Xillix also regrets having made earlier comments about Olympus, relating to the dispute. Xillix joins with Olympus in now looking forward to bringing the technology of autofluorescence to an expanding world market.

Xillix's President and CEO, Mr. Pierre Leduc said, "We are pleased that Xillix and Olympus have been able to reach a business resolution that allows both companies to benefit from advances in the field of autofluorescence. This agreement should resolve any concerns regarding the strength of Xillix's intellectual property as a worldwide leader in autofluorescence imaging and we are well positioned for the future. Now that this dispute has been put behind us, we plan to accelerate aggressively Xillix's latest development, Onco-LIFE™, while looking for new strategic alliances. We have appreciated the solid support that we have received from our shareholders and employees and look forward to a bright future for Xillix."

Mr. Haruhito Morishima, General Manager, Gastrointestinal Products Business Unit, Endoscope Division of Olympus, said in Tokyo: "We, too, are pleased that the dispute between Olympus and Xillix has come to an end. Now both companies can continue their research and development activities without the disruption and distraction of arbitration proceedings. Olympus is committed to remaining a world leader in endoscopy and will continue its extensive research and development efforts to accomplish this result."

Xillix's fluorescence based medical imaging technology helps physicians diagnose early-stage lung and gastrointestinal cancers. When tissue containing abnormal cells is exposed to light from Xillix's patented fluorescence imaging devices, physicians are able to detect precancerous and cancerous cells. The Xillix LIFE-Lung Fluorescence Endoscopy System™, has been approved for sale in the United States, Canada, Europe and Japan. Xillix recently announced plans for its latest development Onco-LIFE™, which will result in a new fluorescence endoscopy video system for the detection and localization of early cancer in the lung and gastrointestinal tract.

The company is listed on the Toronto Stock Exchange under the trading symbol "XLX".

For more information, visit our website at [www.xillix.com](http://www.xillix.com)

Or contact: Cynthia Roney or Michael Perri (604) 278-5000, e-mail: [info@xillix.com](mailto:info@xillix.com)