A copy of this preliminary prospectus has been filed with the securities regulatory authorities in each of the provinces of British Columbia, Alberta, Manitoba, Ontario and Quebec, but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.

The securities offered under this prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities law and, subject to certain exceptions, may not be offered or sold within the United States. This prospectus does not constitute an offer to sell or solicitation of an offer to buy any of the securities offered hereby within the United States. See ''Plan of Distribution''.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

New Issue **Preliminary Prospectus** April 13, 2004

VIVENTIA
BIOTECH INC.

VIVENTIA BIOTECH INC.

Up to $ ●

Up to ● Units

Viventia Biotech Inc. (''Viventia'' or the ''Company'') is offering, and this prospectus qualifies the distribution of, a total of ● common shares and ● common share purchase warrants (''Warrants'') in the capital of the Company to be issued to investors as units (''Units''). Each Unit consists of one common share and one-half of one Warrant, at a price of $ ● per Unit.

Each whole Warrant entitles the holder thereof to acquire, subject to adjustment in certain circumstances, one of our common shares at a price of $ ● per common share at any time on or prior to the close of business on the date that is 24 months from the closing of the offering, after which time the Warrant will be null and void. See ''Description of the Warrants''.

An investment in the Units offered by this prospectus is speculative and involves a high degree of risk. Prospective investors should carefully review and evaluate the risk factors described under the heading ''Risk Factors'' before purchasing our Units.

Our outstanding common shares are listed and posted for trading on the Toronto Stock Exchange (''TSX'') under the symbol ''VBI''. On April 12, 2004, the closing price of our common shares on the TSX was $0.37. It is a condition of closing of the offering that the common shares and Warrants distributed under this prospectus be listed on the TSX. The offering price of the Units was determined by negotiations between us and Dundee Securities Corporation, Canaccord Capital Corporation, Jennings Capital Inc., Wellington West Capital Inc., and Research Capital Corporation (collectively, the ''Agents''). See ''Plan of Distribution''.

In the opinion of counsel, the Units will qualify for investment under certain statutes as set out under ''Eligibility for Investment''.

It is a condition of the offering that our shareholders approve, at a special meeting to be held on May 7, 2004, a special resolution authorizing the consolidation of our issued and outstanding common shares on a ten (10) old for one (1) new common share basis. Other than in the accompanying audited annual financial statements or as otherwise indicated, all references in this prospectus to the number of our outstanding shares, any disclosure that is dependent on the number of our outstanding shares, or references to the number of securities held by any of our shareholders, presents first information that assumes the consolidation of our common shares on a ten (10) old for one (1) new basis, followed by information contained in square brackets that does not assume such consolidation. See ''Common Share Reorganization''.

It is also a condition of the offering that our principal shareholders, Mr. Leslie Dan and Ms. Andrea Dan-Hytman, and/or entities controlled by them (collectively, the ''Dan Group'') purchase 40% of the Units offered pursuant to the offering, up to a maximum of $14,000,000 (the ''Dan Subscription''). The Dan Subscription is subject to regulatory approval. Teva Pharma B.V. has the right to purchase Units in order to maintain its percentage ownership in us. See ''Interest of Management and Others in Material Transactions'', ''Principal Shareholders'', and ''Plan of Distribution''.

Price: $ ● per Unit

	Price to Public	Agents' Fee[1]	Net Proceeds to the Company[2][3]
Per Unit[4]	$ ●	$ ●	$ ●
Total[5]	$ ●	$ ●	$ ●

(1) We will pay the Agents a commission equal to 7% of the gross proceeds of the sale of the Units, including any Units sold on the exercise of the Over-Allotment Option. Notwithstanding the foregoing, the commission payable by us to the Agents in respect of any purchases of the Units by any of the Dan Group pursuant to the Dan Subscription shall be equal to 3.5% of the proceeds on the first $10,000,000 invested by them, and no commission shall be payable on any amounts invested by them in excess of $10,000,000. We will grant to the Agents, for no additional consideration, non-assignable broker warrants (the ''Broker Warrants'') entitling the holders thereof to purchase the number of common shares equal to 7% of the number of common shares underlying the Units issued pursuant to the offering, including pursuant to the exercise of the Over-Allotment Option. Notwithstanding the foregoing, no Broker Warrants shall be issuable in respect of any purchase of securities by the Dan Group pursuant to the Dan Subscription. See ''Principal Shareholders''. The Broker Warrants shall expire on or prior to the close of business on the date that is 24 months from the closing of the offering. The exercise price of the Broker Warrants will be equal to the issue price of the Units. **This prospectus also qualifies the distribution of the Broker Warrants.** See ''Plan of Distribution''.

(2) Before deducting expenses of the offering estimated to be $ ●, which, together with the Agents' fee, will be paid from the gross proceeds of the offering.

(3) We have granted the Agents an option (the ''Over-Allotment Option''), exercisable for a period of 60 days from the closing of the offering, to purchase additional Units up to an aggregate of 15% of the Units issued pursuant to the offering on the same terms as set forth above, solely to cover over-allotments, if any. Assuming the maximum offering, if the Over-Allotment Option is exercised in full, the Agents' fee and our net proceeds will be $ ● and $ ●, respectively. **This prospectus qualifies the distribution of the common shares and Warrants comprising the Units issuable on exercise of the Over-Allotment Option.** See ''Plan of Distribution''.

(4) Of the Unit issue price of $ ●, we will allocate $ ● to the common shares and $ ● to the one-half of one Warrant comprising each Unit. See ''Certain Canadian Income Tax Matters''.

(5) The total ''Price to Public'', ''Agents' Fee'', and ''Net Proceeds to the Company'' assume the maximum offering. These totals will differ if less than the maximum offering is sold. See ''Use of Proceeds'' and ''Risk Factors''.

The Agents conditionally offer the Units, subject to prior sale, on a best efforts basis, if, as, and when issued by us in accordance with the terms and conditions contained in an agency agreement dated ●, 2004 between us and the Agents, and subject to the approval of certain legal matters on our behalf by Torys LLP and on behalf of the Agents by Cassels Brock & Blackwell LLP.

Subscriptions for the Units 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. We expect that the closing of the offering will take place on ●, 2004 or on such other date as we and the Agents may agree (the ''Closing Date''), but not later than ●, 2004, and that certificates representing the common shares and Warrants comprising the Units will be available for delivery on or about the Closing Date.

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GENERAL MATTERS

In this prospectus, unless otherwise indicated or the context otherwise requires, the terms ''Viventia'', the ''Company'', ''we'', ''us'' and ''our'' are used to refer to Viventia Biotech Inc. This prospectus contains terms that are specific to the biopharmaceutical industry and are technical in nature. These terms are described under the heading ''Glossary of Selected Terms''.

Other than in the accompanying audited annual financial statements or as otherwise indicated, all references in this prospectus to the number of our outstanding shares, any disclosure that is dependent on the number of our outstanding shares, or references to the number of securities held by any of our shareholders, presents first, information that assumes the consolidation of our common shares on a ten (10) old for one (1) new basis, followed by information contained in square brackets that does not assume such consolidation. For example, the statement that ''we have 29,186,463 [291,864,627] common shares issued and outstanding as of the date of this prospectus'' means that we have 29,186,463 common shares issued and outstanding assuming the share consolidation has occurred and 291,864,627 common shares issued and outstanding assuming the share consolidation has not occurred. See ''Common Share Reorganization''.

Unless otherwise indicated, all references to ''$'' are references to Canadian dollars.

Our trademarks Hybridomics™, ImmunoMine™ and the Viventia logo have been registered in Canada. Our trademarks UnLock™ and Armed Antibodies™ have been allowed in Canada. We have made an application to register the trademark ''Proxinium™,'' in Canada in respect of our lead product candidate (formerly, VB4-845). All other trademarks or service marks appearing in this prospectus are the trademarks or service marks of the entity that owns them.

FORWARD-LOOKING STATEMENTS

Certain statements included in this prospectus constitute forward looking statements. When used in this prospectus, the words ''anticipate'', ''believe'', ''plan'', ''estimate'', ''expect'', ''intend'', ''will'', ''may'', ''should'' and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. These forward-looking statements are not historical facts but reflect our current expectations concerning future results and events. These statements include, without limitation, statements with respect to:

- the therapeutic potential of Proxinium™ for the treatment of head and neck cancer and bladder cancer;
- the success of our integrated technology platforms in identifying product candidates and reducing development timelines from industry averages;
- the success of pre-clinical studies and the receipt of regulatory approvals to commence clinical trials in humans;
- our ability to obtain a current good manufacturing practice (''cGMP'') license for our manufacturing facility;
- our ability to manufacture clinical batches of our product candidates, and if any of our product candidates are approved for sale, our ability to scale-up to commercial production capacity; and
- our ability to enter into strategic partnerships in respect of the commercial development, sales and marketing of our product candidates.

We caution readers that these forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including, without limitation:

- the fact that we have a ''going concern'' note in our financial statements;
- our history of operating losses and current financial condition;
- our historical reliance on one of our principal shareholders, Mr. Leslie Dan, and persons or entities affiliated with him, to fund our operations and the possibility that we may not be able to secure additional funding to continue operations as required or on acceptable terms, if at all;
- the fact that we are in the early stages of product development;
- the uncertainty of regulatory approvals;
- our reliance on licenses from third parties in respect of certain of our key technologies;
- our ability to protect our intellectual property;

- our reliance on third parties to conduct our clinical trials;
- our reliance on third parties for product development and commercialization;
- the length of time to commercialization for any product candidates that we may successfully develop;
- the successful outcome of pre-clinical testing and clinical trials;
- the uncertainty regarding market acceptance of any products we may develop;
- our ability to maintain our competitive position in the research, development and commercialization of products and technologies in our area of expertise; and
- the fact that our controlling shareholders may have interests that diverge from yours.

These factors should be carefully considered and readers should not place undue reliance on our forward-looking statements.

Certain of the risks and uncertainties are discussed above and in the section entitled ''Risk Factors''. The risk factors described in this prospectus are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in our forward-looking statements.

Our statements of ''belief'' in respect of our product candidates are based primarily upon our results derived to date from our pre-clinical research and development, our research and development program with animals and, in the case of our lead product candidate Proxinium™ for the treatment of head and neck cancer, our preliminary results from our ongoing Phase I clinical trial in Russia. We believe we have a reasonable scientific basis to expect these particular anticipated results to occur. It is not possible, however, to predict, based upon studies *in vitro* and animal studies, whether a new therapeutic agent will be proved to be safe and/or effective in humans. We cannot assure you that the particular results expected by us will occur. These forward-looking statements reflect our view only as of the date of this prospectus. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this prospectus, as amended and/or supplemented, or to conform these statements to actual results or to changes in our expectations.

ELIGIBILITY FOR INVESTMENT

In the opinion of Torys LLP, counsel to us, and Cassels Brock & Blackwell LLP, counsel to the Agents, the purchase of Units offered by this prospectus would not, as of the date hereof, be prohibited under or by the following statutes (and, where applicable, the regulations made under those statutes), in each case subject to general investment provisions contained in those statutes and regulations and, in certain cases, subject to prudent investment requirements and additional requirements relating to investment or lending policies or goals:

Insurance Companies Act (Canada)
Trust and Loan Companies Act (Canada)
Pension Benefits Standards Act, 1985 (Canada)
Financial Institutions Act (British Columbia)
Pension Benefits Standards Act (British Columbia)
Loan and Trust Corporations Act (Alberta)
Insurance Act (Alberta)
Employment Pension Plan Act (Alberta)
The Insurance Act (Manitoba)
The Pension Benefits Act (Manitoba)
The Trustee Act (Manitoba)
Loan and Trust Corporation Act (Ontario)
Pension Benefits Act (Ontario)
An Act respecting insurance (Québec) (for an insurer, as defined therein, incorporated under the laws of the province of Québec, other than a guarantee fund corporation)
Supplemental Pension Plans Act (Québec) (for a plan governed thereby)
An act respecting trust companies and savings companies (Québec) (for a trust company, as defined therein, investing its own funds and deposits it receives, and a savings company, as defined therein, investing funds)

In addition, in the opinion of such counsel, based on the provisions of the *Income Tax Act* (Canada) (the ''Act'') and the proposals to amend the Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance prior to the date hereof, provided the common shares are listed on the TSX and, in the case of the Warrants, the Company deals at arm's length with each person who is an annuitant, a beneficiary, an employer or a subscriber under the Plan (defined below), (i) as at the date hereof, the common shares and Warrants comprising the Units will be qualified investments under the Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans or deferred profit sharing plans (the ''Plans''), and (ii) based in part

on a certificate of the Company as to certain factual matters, the common shares and Warrants comprising the Units, if issued on the date hereof, will not be ‘‘foreign property’’ for the purposes of the tax imposed under Part XI of the Act for Plans (other than registered education savings plans) and certain other tax exempt entities. Registered education savings plans are not subject to the foreign property rules.

PROSPECTUS SUMMARY

The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus.

Viventia Biotech Inc.

We are a biopharmaceutical company specializing in the discovery and development of fully human monoclonal antibody therapies for the treatment of cancer. We currently have a lead product candidate in Phase I clinical development, Proxinium™, for the treatment of head and neck cancer, and several other product candidates in pre-clinical development. Our platform of technologies is based upon the isolation of human monoclonal antibodies obtained from cancer patients and the development of those antibodies to deliver cytotoxic (cancer killing) ''payloads'' to cancer cells. We believe that our platform has the potential to develop safer, more potent anti-cancer therapeutics than those that are currently available. We have a manufacturing facility that is intended to produce multiple product candidates per year, and that we believe will produce sufficient quantities of our Armed Antibodies™ to meet our currently anticipated pre-clinical and clinical trial batch needs.

Our lead product, Proxinium™, has been shown to shrink large tumors that have been grown in mouse models, and has generated complete tumor regressions in a significant number of these mice. Pre-clinical safety studies conducted on animals suggest that Proxinium™ therapy should be safe and well tolerated in humans. We are currently developing Proxinium™ for the treatment of two clinical indications: head and neck cancer and bladder cancer.

Our principal product candidates are:

Product Candidate	Indication	Stage of Development	Status
Proxinium™	Head and neck cancer	Phase I	Actively enrolling in Russia
	Head and neck cancer	Phase I	Enrollment expected in Brazil in Q2 2004
	Bladder cancer	Phase I(1)	Initiation expected in Q3 2004
VB6-845	Solid tumors	Pre-clinical	Initiation of *in vivo* efficacy studies expected in Q3 2004
VB6-050	Solid tumors	Pre-clinical	Initiation of *in vivo* efficacy studies expected in Q3 2004
VB6-008	Solid tumors	Pre-clinical	Cytotoxicity testing in progress
VB6-011	Solid tumors	Pre-clinical	Cytotoxicity testing in progress

Note:

(1) Subject to regulatory approval. See ''Our Business — Our Armed Antibodies™ Pipeline'' and ''Risk Factors''.

Our integrated platform is based on two key features:

- ***Isolating the Human Antibody Response.*** The human immune system recognizes cancer cells as being abnormal and produces antibodies against those cancer cells. We have developed the means to obtain anti-cancer antibodies from cancer patients and to select the most promising antibodies from those obtained to add to our portfolio as potential drug development candidates. We believe that an advantage of our fully human monoclonal antibodies is that the human body is less likely to respond to them as foreign (as may be the case with mouse, chimeric or humanized antibodies) and as such is less likely to neutralize them. Our discovery and development platforms eliminate many of the steps involved in standard approaches to monoclonal antibody research, and, as a result, we believe that our development timelines from antibody discovery to the start of clinical trials may be reduced from an industry average of over six years to less than 18 months. See ''Our Business — Our Platform of Technologies''.
- ***Delivering Potent Payloads.*** Our approach to cancer therapy is based upon engineering our antibodies with cytotoxic protein payloads to create our Armed Antibodies™. We have developed technologies in cytotoxic protein delivery with the potential to offer safer, more beneficial therapies for cancer patients. Our pre-clinical data suggest that targeted delivery of our cytotoxic payloads may lead to fewer side effects than standard chemotherapy due to less damaging toxicity to healthy, non-cancerous tissue. In addition, we are developing our payloads to be more potent than current anti-cancer drugs in order to increase their effectiveness against tumors.

Summary Financial Information

The following tables set forth selected financial information for the periods indicated. The annual information is derived from, and is qualified in its entirety by reference to, our audited annual financial statements for the years ended December 31, 2003 and 2002, which have been prepared in accordance with Canadian generally accepted accounting principles, including the accompanying notes, appearing elsewhere in this prospectus and our audited annual financial statements for the year ended December 31, 2001. The quarterly information is derived from, and is qualified in its entirety by reference to, our unaudited interim financial statements as at the dates indicated, including the accompanying notes. Such unaudited interim financial statements include all adjustments, consisting of normal recurring accruals, which we considered necessary for a fair presentation of our financial position and the results of operations for these periods. You should read the following information in conjunction with those statements and the accompanying notes and ''Management's Discussion and Analysis'', also appearing elsewhere in this prospectus. **The per share numbers contained in the tables below do not reflect the consolidation of our common shares as described in the section ''Common Share Reorganization''.**

Annual Information

	Year ended December 31,		
	2003	2002	2001
	(thousands of dollars, except per share numbers, audited)		
Net Loss	(12,778)	(12,269)	(14,770)
Basic and diluted loss per share	(0.05)	(0.06)	(0.08)
Total Assets	2,739	11,249	7,425
Bridge Financing Loans[1]	1,500	—	—
Total long-term financial liabilities (including current portion thereof)	4,000	6,000	—

Quarterly Information

	Quarter Ended							
	2003				2002			
	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
	(thousands of dollars, except per share numbers, unaudited)							
Net Loss	(3,426)	(3,455)	(2,970)	(2,927)	(3,765)	(3,199)	(2,930)	(2,375)
Basic and diluted loss per share[2]	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)	(0.02)	(0.01)
Total Assets	2,739	4,425	4,662	7,705	11,249	4,216	7,975	4,846
Bridge Financing Loans[1]	1,500	500	—	—	—	—	—	—
Total long-term financial liabilities (including current portion thereof)	4,000	4,000	4,000	4,000	6,000	6,000	6,000	—

Notes:

(1) Subsequent to the year end, we received an additional $3,400,000 from Mr. Leslie Dan and an entity affiliated with him. See ''Management's Discussion and Analysis'' and ''Interest of Management and Others in Material Transactions''.

(2) Quarterly loss per share numbers may not, in the aggregate, equal annual loss per share numbers due to rounding.

	The Offering
Securities to be Distributed:	Up to ● Units. We may issue up to an additional ● Units on exercise by the Agents of the Over-Allotment Option. It is also a condition of the offering that our principal shareholders, Mr. Leslie Dan and Ms. Andrea Dan-Hytman, and/or entities controlled by them, purchase 40% of the Units offered pursuant to the offering, up to a maximum of $14,000,000. See ''Principal Shareholders'', ''Plan of Distribution'' and ''Risk Factors''.
Offering Price:	$● per Unit.
Net Proceeds:	Up to $● ($● if the Over-Allotment Option is fully exercised).
Use of Proceeds:	Assuming the maximum offering, that the Over-Allotment Option is not exercised, and after deducting fees payable to the Agents and the estimated expenses of the offering, our estimated net proceeds from the offering will be $ ● . If the Over-Allotment Option is exercised in full, the additional net proceeds will be $ ● . We intend to use the net proceeds of the offering as follows: • approximately $ ● million for costs related to product discovery and development activities, including ongoing and planned clinical trials, research and development, regulatory applications and product manufacturing; • approximately $ ● million to repay outstanding convertible debentures and other debt; and • the balance for working capital and other general purposes. Assuming the maximum offering, we anticipate that the $ ● million of funds to be obtained from the offering and used for costs related to product discovery and development activities, will be used to fund Phase I clinical trials in Russia and Brazil for our lead product candidate, Proxinium™ for the treatment of head and neck cancer, anticipated Phase I clinical trials for Proxinium™ for the treatment of bladder cancer, and pre-clinical studies for the remainder of our other principal product candidates. Assuming the maximum offering, we anticipate that the $● million to be utilized for these clinical trial and pre-clinical activities will sustain our operations for the next ● months. Of the $4,000,000 in principal amount of convertible debentures that we intend to repay from the proceeds of the offering, $2,000,000 are beneficially owned by, directly or indirectly, Ms. Andrea Dan-Hytman, the daughter of Mr. Leslie Dan, and $2,000,000 are beneficially owned by, directly or indirectly, Mr. Leslie Dan. These convertible debentures grant the holder the option to convert the principal amount into units and were issued in order to finance operations. See ''Principal Shareholders'', ''Interest of Management and Others in Material Transactions'', and ''Risk Factors''. The $ ● in other debt that we intend to repay with the proceeds of the offering represents various bridge financing loans we have received and expect to receive prior to the closing of the offering from one of our principal shareholders, Mr. Leslie Dan and an entity affiliated with him. From November 27, 2003 to April 1, 2004, we obtained $4,900,000 in bridge financing from Mr. Dan or entities affiliated with him in order to fund operations. We expect to receive additional bridge financing loans from Mr. Dan or entities affiliated with him in the amount of $1,500,000

	prior to the closing of the offering. See ''Principal Shareholders'', ''Interest of Management and Others in Material Transactions'', and ''Risk Factors''. The offering is being sold on a ''best efforts'' basis, and, as a result, we cannot assure you that the maximum offering will be sold. If the maximum offering is not sold, the proceeds available to us will differ from the amounts outlined above. See ''Use of Proceeds'', ''Plan of Distribution'', and ''Risk Factors''. The ultimate allocation of net proceeds and the timing of their expenditure will depend upon prevailing business opportunities and conditions, regulatory approvals, agreements with strategic partners, and the progress of clinical development and testing.
Closing Date:	The offering is expected to close on or about ●, 2004.
Trading Symbol:	Our common shares are listed and posted for trading on the Toronto Stock Exchange (''TSX'') under the symbol ''VBI''.

Risk Factors

An investment in the Units offered by this prospectus is speculative and involves a high degree of risk. Prospective investors should carefully review and evaluate all risk factors relating to such an investment including:

- the fact that we have a ''going concern'' note in our financial statements;
- our history of operating losses and current financial condition;
- our historical reliance on one of our principal shareholders, Mr. Leslie Dan, and persons or entities affiliated with him, to fund our operations and the possibility that we may not be able to secure additional funding to continue operations as required or on acceptable terms, if at all;
- the fact that we are in the early stages of product development;
- the uncertainty of regulatory approvals;
- our reliance on licenses from third parties in respect of certain of our key technologies;
- our ability to protect our intellectual property;
- our reliance on third parties to conduct our clinical trials;
- our reliance on third parties for product development and commercialization;
- the length of time to commercialization for any product candidates that we may successfully develop;
- the successful outcome of pre-clinical testing and clinical trials;
- the uncertainty regarding market acceptance of any products we may develop;
- our ability to maintain our competitive position in the research, development and commercialization of products and technologies in our area of expertise; and
- the fact that our controlling shareholders may have interests that diverge from yours.

For a description of these and other risks, see ''Risk Factors''.

THE COMPANY

Viventia Biotech Inc. was incorporated in 1983 under the name Illecillewaet Exploration Ltd. From our incorporation until 1995, we underwent various name changes and reorganization transactions and were continued in various jurisdictions. On July 21, 1995, we were continued in the Province of British Columbia under the name Novopharm Biotech Inc. On July 28, 1995, Novopharm Biotech Inc. completed a business combination with the Biotech Monoclonal Division of Novopharm Limited to acquire certain biotechnology assets of Novopharm Limited. On August 25, 1997, we completed an amalgamation with Genesys Pharma Inc. under the name Novopharm Biotech Inc.

On July 9, 1998, we were continued under the *Business Corporations Act* (Ontario) under the name Novopharm Biotech Inc. In 1998, our common shares began trading on the TSX. Until December 31, 1999, all of our research and development activities were conducted through Novopharm Biotech Partnership I (''Partnership I'') and Novopharm Biotech Partnership II (''Partnership II''). Both entities were partnerships with Novopharm Limited (''Novopharm'').

Partnership I was wound up effective July 31, 1998, and from then until December 31, 1999, all of our research and development activities were carried out through Partnership II. On the expiry of that partnership agreement, Partnership II was wound up and all remaining assets were transferred to us. Effective January 1, 2000, all of our research and development activities were carried out through the Company and we began reporting the results of our research and development activities and operations directly through our own financial statements. No other partnership exists between us and Novopharm.

On September 11, 2000, we filed articles of amendment to change our name to Viventia Biotech Inc. The name change was required as a result of the sale of Novopharm Limited in April 2000 to Teva Pharmaceutical Industries Limited (''Teva Pharmaceutical''). Although the Company was not included in this sale, ownership of the trade name ''Novopharm'' was transferred to Teva Pharmaceutical, prompting the need to change our name. As a result of our name change, on October 17, 2000, our common shares, which had previously traded under the symbol ''NBI'', began trading under the symbol ''VBI'' on the TSX.

Our registered and head office is located at 10 Four Seasons Place, Suite 501, Toronto, Ontario, Canada, M9B 6H7, our phone number is (416) 291-1277, our fax number is (416) 335-9306 and our website address is www.viventia.com. The contents of our website are not incorporated by reference into this prospectus. We maintain an approximately 31,100 square foot manufacturing, laboratory, warehouse, and office facility at 147 Hamelin Street, Winnipeg, Manitoba, Canada, R3T 3Z1.

From 2000 to 2002, we were primarily focused on the development of our two prior lead product candidates, VB2-011 (formerly H11) and 4B5, while concurrently building our core platform technologies. During 2002, we moved from a strategy of developing only two lead products to a strategy based on the development of multiple product candidates. See ''Our Business — Our Platform of Technologies''.

OUR BUSINESS

Overview

We are a biopharmaceutical company specializing in the discovery and development of fully human monoclonal antibody therapies for the treatment of cancer. We currently have a lead product candidate in Phase I clinical development, Proxinium™, formerly VB4-845, for the treatment of head and neck cancer, and several other product candidates in pre-clinical development. Our platform of technologies is based upon the isolation of human monoclonal antibodies obtained from cancer patients and the development of those antibodies to deliver cytotoxic (cancer killing) ''payloads'' to cancer cells. We believe that our platform has the potential to develop safer, more potent anti-cancer therapeutics than those that are currently available. We have a manufacturing facility that is intended to produce multiple product candidates per year, and that we believe will produce sufficient quantities of our Armed Antibodies™ to meet our currently anticipated pre-clinical and clinical trial needs.

Our Product Development Strategy

Our product development strategy is based on building a discovery and development engine to move monoclonal antibodies from discovery through pre-clinical testing and, if successful, into clinical trials. We use the immune

response of cancer patients for antibody generation and target discovery. Our product development strategy is designed to meet three key needs in the pharmaceutical industry:

- the need to fill product development pipelines as patent protection expires;
- the need to accelerate the introduction of new products that address unmet medical needs more quickly than current industry norms; and
- the need to expand biologics manufacturing capacity.

In order to meet these needs, we focus on three key strategic research and development initiatives:

- ***Building a Promising Product Pipeline.*** We are building a monoclonal antibody product pipeline of Armed Antibodies™ that we believe has therapeutic and commercial potential for the treatment of many forms of cancer. Our approach to cancer therapy is based upon engineering our antibodies with cytotoxic protein payloads, in order to develop safer, more potent cancer therapies than are currently available. See ''— Our Armed Antibodies™ Pipeline'' and ''— Our Platform of Technologies''.
- ***Developing a Broad Antibody Portfolio.*** We have developed a means to obtain anti-cancer antibodies from cancer patients and select the most promising antibodies from those obtained to add to our portfolio as potential development candidates. Our integrated platforms, Hybridomics™, ImmunoMine™, and UnLock™, facilitate the discovery of both human monoclonal antibodies and their corresponding antigen targets. See ''— Our Platform of Technologies''.
- ***Enhancing Our Manufacturing Capabilities.*** We consider our ability to manufacture our own products through the early stages of pre-clinical and clinical development to be a key asset. We believe this ability enables us to control costs, reduce reliance on third parties, and better integrate the manufacturing process with our product development timelines. We are currently planning the expansion of our manufacturing facilities for commercial production. See ''— Our Manufacturing Capabilities''.

Our Business Model

We believe that our product development strategy identified above provides us with multiple opportunities for value creation. Our business model has three central elements that leverage our research and development initiatives and capabilities:

- ***Entering into Sales and Marketing Partnerships.*** We intend to discover and develop multiple lead product candidates to advance through to clinical trials. If any of our product candidates successfully advance to and complete Phase II clinical trials, we intend to either finance further clinical development ourselves, or enter into strategic partnerships with third parties in order to finance further clinical development, such as Phase III clinical trials. Ultimately, we intend to seek third parties as partners to market, sell and distribute any of our products that may be approved. See ''Risk Factors'' and ''Interest of Management and Others in Material Transactions — Teva Pharma B.V.''.
- ***Maintaining In-House Manufacturing.*** We intend to provide our future sales and marketing partners with cGMP-grade finished goods through the use of our in-house manufacturing capabilities. We believe this approach will enable us to maintain control over the production process and provide us with an opportunity to capture a greater share of potential revenues from product sales. See ''Risk Factors''.
- ***Out-Licensing Antibodies and Technologies.*** We believe one of the benefits of our integrated platform is that we generate more antibodies than we would be able to develop ourselves. We plan to license to third parties those antibodies from our portfolio which we do not intend to develop and are considering entering into arrangements to do so. In addition, we intend to out-license certain of our technologies to third parties.

About Monoclonal Antibodies

Antibodies are naturally occurring proteins produced by the human immune system, and serve as an important defence against disease. Human B-cells produce millions of different types of antibodies, all with a unique molecular structure that cause them to attach to and neutralize specific disease targets. For example, certain antibodies seek out and attach to viruses, bacteria or diseased cells, making them susceptible to destruction by the human immune system. A single B-cell produces only one type of antibody referred to as a monoclonal antibody, and, conceptually similar to a

lock and key, each monoclonal antibody (the key) has a unique molecular structure that directs it to a specific target antigen (the lock). Researchers discovered that this antibody response could be replicated for therapeutic benefit.

The Evolution of Monoclonal Antibody Technology

The first generation of monoclonal antibody technology designed to replicate the human body's defence mechanism consisted of antibodies obtained from mice (murine) or chimeric antibodies (a combination of mouse and human protein sequences). These early antibodies found application in the diagnosis and treatment of certain cancers, such as non-Hodgkin's lymphoma. These antibodies contain mouse protein sequences and, as a result, the human immune system tends to recognize them as foreign. When this occurs, the human body quickly eliminates them, necessitating frequent administration of the antibodies. When patients are repeatedly treated with mouse or chimeric antibodies, they begin to produce their own antibodies that effectively neutralize the therapeutic antibody, a reaction referred to as a ''human anti-mouse antibody'', or HAMA, response. In many cases, the HAMA response prevents the antibodies from having the desired therapeutic effect and may cause the patient to have a potentially life threatening allergic reaction. Recognizing this limitation, over the last ten years, improvements in technology have permitted the creation of second generation humanized antibodies, in which the mouse antibody is engineered to appear more human than mouse to the human immune system. Despite that, these antibodies still frequently elicit a HAMA response. Most recently, so-called ''human'' monoclonal antibodies have been developed that may be regarded as the third generation of antibodies. These antibodies are developed according to two broad technologies: phage display and transgenics. While these ''human'' antibodies theoretically contain a higher level of human protein sequence than their corresponding humanized, chimeric or murine counterparts, unlike our antibodies, they are not human in origin, but have been generated through laboratory techniques using antibodies attached to the cell surfaces of bacterial viruses (phage display technology), or through artificial genetic recombination of mouse genes and human genes (transgenic technology), to produce synthetic antibodies having target recognition and other qualities similar to that of human antibodies.

According to a 2002 industry survey by the Pharmaceutical Research and Manufacturers of America (''PhRMA''), antibodies accounted for over 20% of all biopharmaceutical products in clinical development. There are a number of monoclonal antibody products that are currently being marketed in the United States for a wide range of medical disorders such as cancer, transplant rejection, cardiovascular disease, and infectious diseases. Combined worldwide sales of two monoclonal antibody products for the treatment of cancer, Rituxan® (non-Hodgkin's lymphoma) and Herceptin® (breast cancer), represented approximately US$2.0 billion in revenues in 2003. See ''— Competition''.

Our Approach to Monoclonal Antibodies

We have developed an approach in the field of monoclonal antibodies that we believe has certain competitive advantages over other technologies. Our integrated platform is based on two key features:

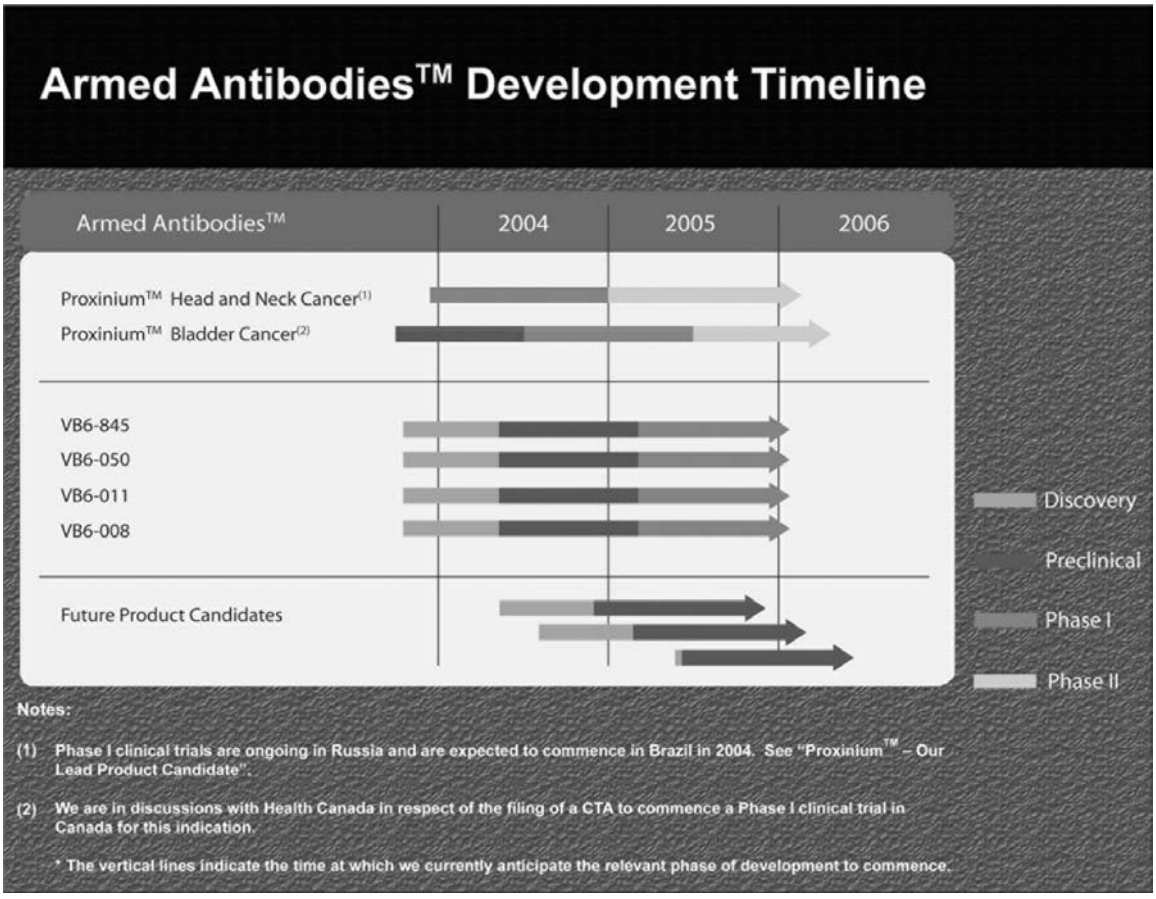
- ***Isolating the Human Antibody Response.*** The human immune system recognizes cancer cells as being abnormal and produces antibodies against those cancer cells. We have developed the means to obtain anti-cancer antibodies from cancer patients and to select the most promising antibodies from those obtained to add to our portfolio as potential drug development candidates. We believe that an advantage of our fully human monoclonal antibodies is that the human body is less likely to respond to them as foreign (as may be the case with mouse, chimeric or humanized antibodies) and as such is less likely to neutralize them. Our discovery and development platforms eliminate many of the steps involved in standard approaches to monoclonal antibody research, and, as a result, we believe that our development timelines from antibody discovery to the start of clinical trials may be reduced from an industry average of over six years to less than 18 months. See ''— Our Platform of Technologies''.
- ***Delivering Potent Payloads.*** Our approach to cancer therapy is based upon engineering our antibodies with cytotoxic protein payloads to create our Armed Antibodies™. We have developed technologies in cytotoxic protein delivery with the potential to offer safer, more beneficial therapies for cancer patients. Our pre-clinical data suggest that targeted delivery of our cytotoxic payloads may lead to fewer side effects than standard chemotherapy due to less damaging toxicity to healthy, non-cancerous tissue. In addition, we are developing our payloads to be more potent than current anti-cancer drugs in order to increase their effectiveness against tumors.

We believe the key advantages of our integrated platform of technologies are:

- ***Selectivity.*** Our ImmunoMine™ process selectively identifies antibodies that react with tumors. Pre-clinical data indicate that our Armed Antibodies™ bind preferentially to antigens expressed on the surface of cancer cells over normal, healthy cells.
- ***Tumor-Activated Potency.*** Pre-clinical data suggest that our cytotoxic protein is only activated once inside the cancer cell, and can be at least 10,000 times more potent than current anti-cancer drugs.
- ***Safety.*** We believe that our Armed Antibodies™ may be safer and more tolerable for patients than existing anti-cancer drugs due to their selectivity and tumor-activated potency.
- ***Compatibility.*** Pre-clinical data suggest that neither our human-generated Hybridomics™ monoclonal antibodies nor our cytotoxic protein will be neutralized by the human immune system.
- ***Patient Benefit.*** Based on these key advantages, we believe that therapy using our Armed Antibodies™ may achieve a more beneficial therapeutic outcome for cancer patients.

Our Armed Antibodies™ Pipeline

The following chart illustrates our current view of the stage of development of each of our product candidates.



These estimates of the progress of our product candidates are intended solely for illustrative purposes and the information contained in this chart is qualified in its entirety by the information appearing elsewhere in this prospectus. This development timeline reflects stages within the typical regulatory approval process in Canada and the United States, although none of our product candidates are currently in clinical development in those jurisdictions. See ''Biopharmaceutical Regulatory Matters'' and ''Risk Factors''.

Proxinium™ — Our Lead Product Candidate

Our development rationale for Proxinium™, formerly known as VB4-845, is based upon pre-clinical safety and efficacy studies. Data derived from our pre-clinical studies demonstrate that Proxinium™ binds to its cell surface target and is internalized into the cell, leading to activation of its cancer killing payload. In several mouse models, Proxinium™ has been shown to shrink large tumors that have been grown in the mice, and has generated complete tumor regressions in a significant number of these mice. Pre-clinical safety studies conducted on animals suggest that Proxinium™ therapy should be safe and well tolerated in humans. We are currently developing Proxinium™ for the treatment of two clinical indications: head and neck cancer and bladder cancer.

Proxinium™ for the Treatment of Head and Neck Cancer

We have chosen to develop our product candidate Proxinium™ initially for the treatment of locally recurrent head and neck cancer. Head and neck cancer consists of soft tissue tumors of the larynx, tongue, mouth, oral cavity, and pharynx. Globally, head and neck cancer is the sixth most common form of cancer. In North America, the International Agency for Research on Cancer estimates that there will be approximately 44,000 new cases of head and neck cancer diagnosed this year. Only a small number of advanced head and neck tumors can be treated by surgery or radiation therapy, and medical literature provides that single agent chemotherapy has demonstrated a less than 10% success rate to date.

Our clinical development strategy for Proxinium™ for the treatment of head and neck cancer is to test two dosing schedules in two separate clinical trials, one in Russia and one in Brazil. These clinical trials are primarily designed to establish the safety profile and tolerability of Proxinium™ in patients with locally recurrent head and neck cancer. In addition, these studies are intended to provide a preliminary assessment of the effectiveness of the drug over an escalating dose range. If we obtain positive data from these Phase I clinical trials, the most effective dosing schedule will be employed in a subsequent Phase II clinical trial, which we intend to hold in North America, subject to regulatory approval. See ''Risk Factors''.

Our current and planned dosing schedules are as follows:

- ***Dosing Schedule 1.*** We are currently enrolling patients in an open-label Phase I clinical trial. This study is being carried out in three clinical centres in Russia, a country in which there is a high incidence of head and neck cancer. The clinical research organization we are using in Russia to conduct this clinical trial has advised us that it has previously supervised clinical trials for other companies and the data generated from those trials have been used to support certain New Drug Applications (''NDAs'') in the United States. As of the date of this prospectus, our clinical research organization has advised us that thirteen patients have been dosed in this clinical trial and no dose limiting toxicities have been observed to date.
- ***Dosing Schedule 2.*** The second dosing schedule for Proxinium™ for the treatment of head and neck cancer is expected to be tested in a Phase I clinical trial to be carried out in three clinical centres in Brazil, a country in which there is also a high incidence of head and neck cancer. The clinical research organization we are using in Brazil to conduct this clinical trial has advised us that it has previously supervised clinical trials for other companies in Brazil and the data generated from those trials have been used to support certain NDAs in the United States. Our clinical research organization has advised us that this trial has been approved in Brazil and we anticipate beginning this clinical trial by the second quarter of 2004.

Proxinium™ for the Treatment of Bladder Cancer

We have completed pre-clinical testing of Proxinium™ in various *in vitro* models of bladder cancer. We have determined that Proxinium™ has extremely low reactivity with normal bladder tissue at clinically relevant doses, and, based on this data, we believe it should be safe and well tolerated in humans. The American Cancer Society estimated that over 56,000 new cases of urinary bladder cancer would be diagnosed in the United States during 2003. If our pre-clinical and clinical data are positive, we intend to develop Proxinium™ for the treatment of bladder cancer patients who have failed prior standard therapies, and for whom surgery to remove the bladder is frequently the recommended therapeutic option. We are not aware of any products currently approved in North America for the treatment of this class of patient. We are in discussions with Health Canada in respect of the filing of a clinical trial application (''CTA'') to commence a Phase I clinical trial for the treatment of bladder cancer, and, assuming regulatory approval, anticipate initiating this trial by the third quarter of 2004. See ''Risk Factors''.

Our Next Product Candidates

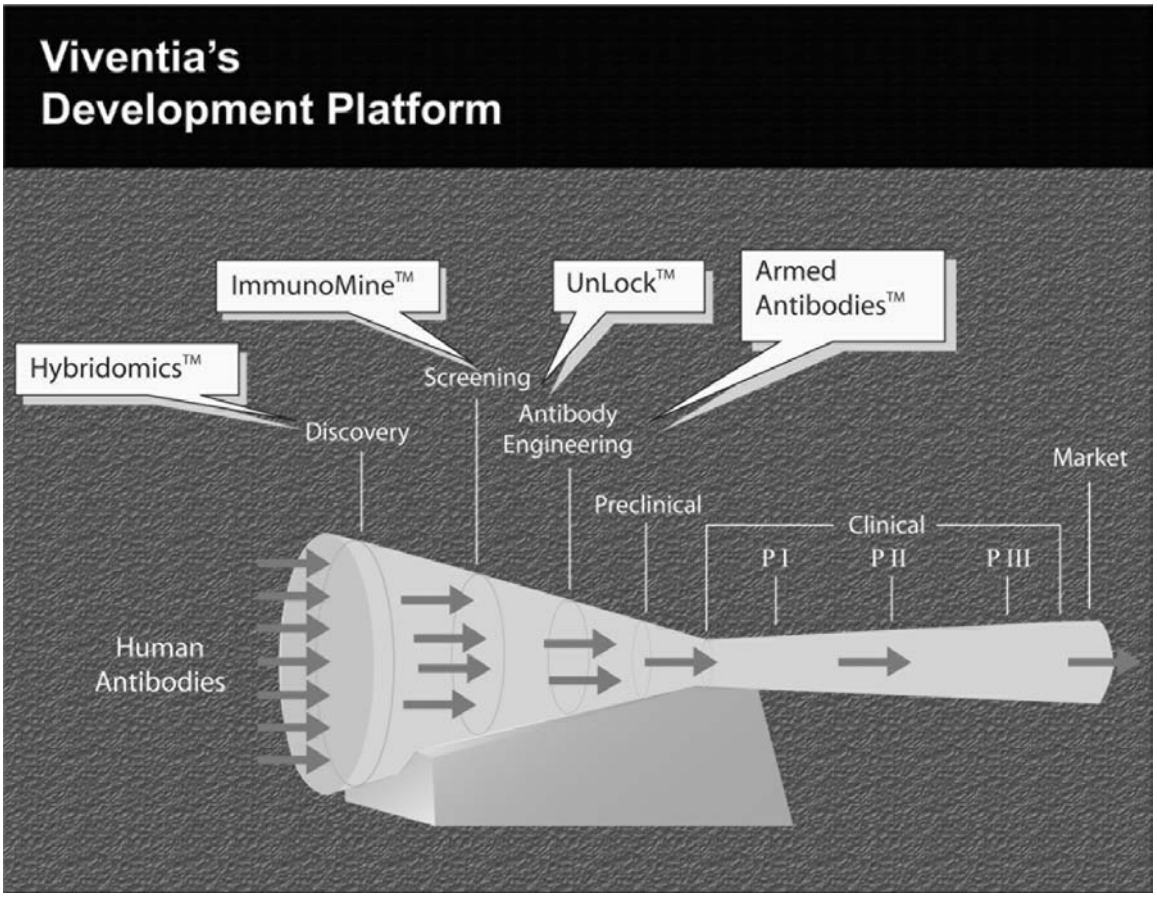
VB6-845, VB6-050, VB6-008, VB6-011 for the Treatment of Solid Tumors

These pre-clinical Armed Antibodies™ consist of monoclonal antibodies from our portfolio engineered with our proprietary cytotoxic protein. See ''Our Platform of Technologies — Armed Antibodies™''. In our pre-clinical testing, these antibodies have been shown to bind to distinct antigens found on a variety of solid tumors, such as ovarian, breast, prostate, and lung cancers. We have demonstrated that VB6-845 and VB6-050 have effective cancer cell killing properties in pre-clinical tests, and we are currently completing similar pre-clinical testing for VB6-008 and VB6-011. We are currently producing pre-clinical batches of VB6-845 and VB6-050 in our manufacturing facility, and intend to initiate animal efficacy and toxicity studies by the third quarter of 2004. See ''Risk Factors''.

Our Platform of Technologies

Our approach to the field of antibody therapeutics is to use the human immune response to cancer which generates human monoclonal antibodies in response to exposure to a corresponding antigen target on the surface of the cancer cell. This is in contrast to the industry standard approach in the field of monoclonal antibody research, which involves first identifying an antigen and validating its relevance as a cancer target, then generating antibodies through a variety of means. Subsequent development may involve improving upon the properties of the antibody to enable clinical development. Our discovery and development approach eliminates these stages and, as a result, we believe that our development timelines from antibody discovery to the start of clinical trials may be reduced from an industry average of over six years to less than 18 months. This anticipated reduction in development timelines is based on the successful integration of our platforms: Hybridomics™, ImmunoMine™, UnLock™, and Armed Antibodies™.

The following diagram illustrates our view of the integration of our discovery and development platform and the approximate stage of pre-clinical development that each component of our platform is intended to address. This diagram is for illustrative purposes only and we cannot assure you that we will develop product candidates in accordance with this diagram or that any of our product candidates that have not already done so, will ever enter or be approved for Phase I clinical testing. See ''Risk Factors''.



Hybridomics™

We have developed an antibody discovery platform that employs the human immune response to cancer. Hybridomics™ is based on technology used to isolate human antibodies obtained from cancer patients. The first step in this process is the acquisition of clinical samples from patients, from which we isolate immune cells. To ensure timely access to these clinical samples, in March 2002 we entered into a clinical research relationship with Columbia University, New York, to obtain clinical samples from Columbia's network of hospitals. These clinical samples are then used to create an antibody-producing ''hybridoma'' cell, formed by fusing the cancer patient's immune cells with a second, immortal cell. These hybridoma cells act as antibody producing ''factories'' from which we isolate human antibodies to enter our screening process, ImmunoMine™. See ''— Intellectual Property''.

ImmunoMine™

ImmunoMine™ is a high-throughput screening platform that we have built to characterize monoclonal antibodies we have obtained in order to select the most promising antibodies for their ability to deliver cell-killing payloads selectively to cancer cells. ImmunoMine™ consists of a rapid screening ''funnel'' that distinguishes antibodies that react with cancer cells from those that do not. Antibodies that successfully complete our ImmunoMine™ screening process are then added to our portfolio of tumor selective monoclonal antibodies. See ''— Intellectual Property''.

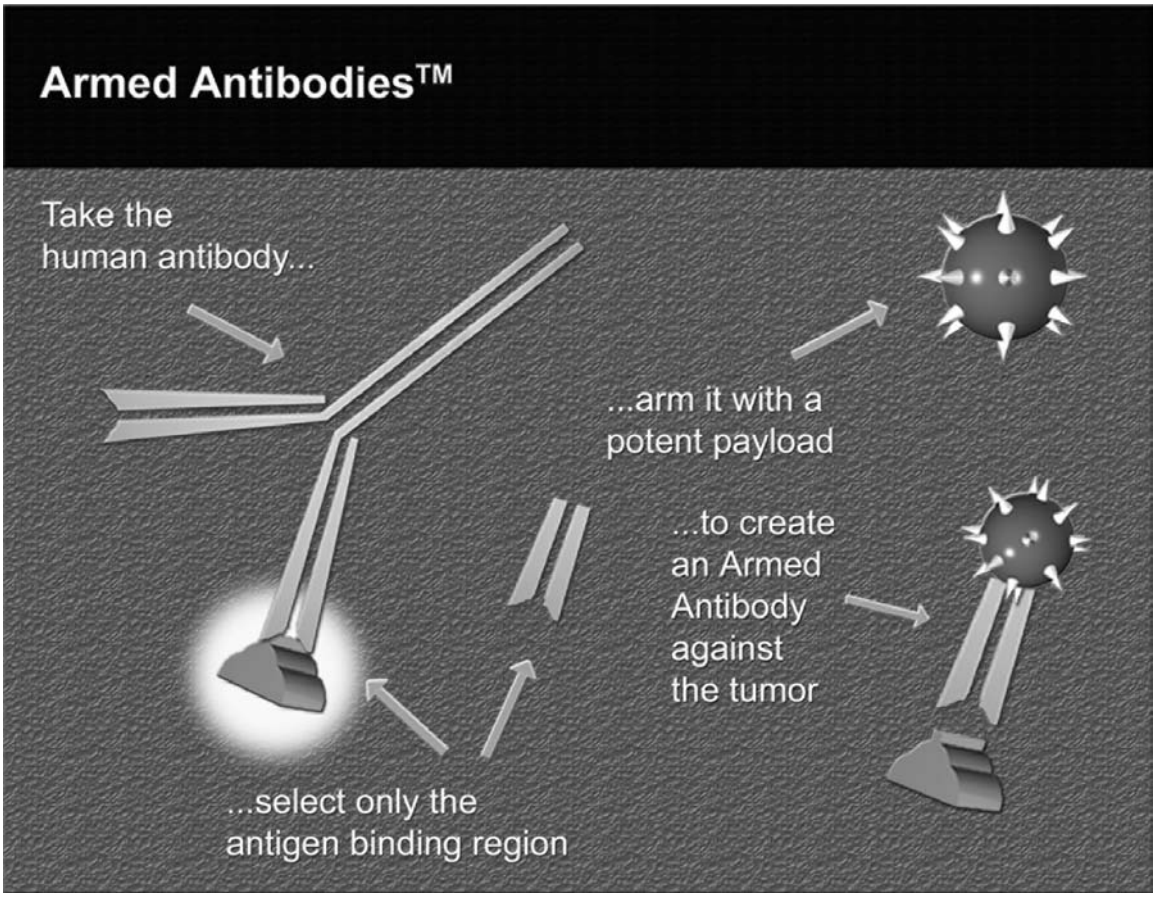
UnLock™

We begin UnLock™ antigen identification when a promising antibody reaches an advanced stage of ImmunoMine™ screening. UnLock™ is the protein characterization platform that we have built to identify the antigen targets of our monoclonal antibodies, and is based upon leading protein identification tools. Using the immune response to cancer as a drug discovery approach provides us with an opportunity to isolate antibodies that target specific antigens found on the surface of cancer cells. Our approach is in contrast to the industry standard approach in monoclonal antibody research, which involves first identifying an antigen and indicating its relevance as a cancer target, then generating antibodies through a variety of means. The integration of our Hybridomics™, ImmunoMine™ and UnLock™ platforms gives us the potential to discover unique human monoclonal antibodies and their corresponding antigen targets. See ''— Intellectual Property''.

Armed Antibodies™

Used alone, antibodies have the potential to recognize tumor cells but are frequently not potent enough to provide a significant benefit to the patient. An alternative use of antibodies that makes them more effective therapeutics is to link them with cancer killing payloads. Potential payloads include radioisotopes or small molecule cytotoxic drugs. We believe that our Armed Antibodies™ platform, which is based upon engineering our antibodies with potent, cytotoxic proteins, represents an evolution in payload delivery technology.

The human body typically recognizes cytotoxic proteins as foreign and neutralizes them, limiting their therapeutic potential. To alleviate this constraint, we modified a cytotoxic protein we had previously licensed by identifying and removing regions of the cytotoxic protein that the human immune system could have potentially neutralized. Pre-clinical data indicate that this modified cytotoxic protein retains its cancer killing activity and will not be neutralized by the human immune system. We intend to engineer this protein with our monoclonal antibodies to generate Armed Antibodies™ for development as anti-cancer therapeutics. See ''— Intellectual Property''.



Our Manufacturing Capabilities

According to a number of biopharmaceutical industry sources, a worldwide shortage of biologics manufacturing facilities currently exists and is expected to persist for some time, which has the potential to negatively impact the movement of new biopharmaceutical products both into clinical development and into commercial sales.

We believe that our in-house manufacturing is a valuable asset for us. The biopharmaceutical manufacturing infrastructure at our 31,100 square foot facility in Winnipeg, Manitoba consists of a fermentation suite and post-production processing capabilities currently dedicated to producing Phase I and Phase II clinical trial batches. We have fully integrated research, process development, and manufacturing facilities, which we believe have the potential to reduce product development timelines and increase the probability of successful scale-up for commercialization. We believe our integrated approach will achieve high-yield production while lowering our cost of goods. Our capabilities span all phases of the antibody production process, including the production of whole antibodies, antibody fragments, cytotoxic proteins, and Armed Antibodies™.

Our manufacturing facility is intended to produce multiple product candidates per year and we believe it will produce sufficient quantities to meet our currently anticipated clinical trial needs. In addition, we believe that our in-house production capabilities will allow us to supply our pre-clinical, quality, and product archiving requirements. We are currently manufacturing Proxinium™ in our manufacturing facility to supply materials for our clinical trials.

As larger-scale manufacturing and high-expression yields are required to make commercial quantities of product candidates, we are planning the construction of a cGMP antibody production facility. We expect this facility will be designed to manufacture multiple antibody products, and will be intended to increase our production capacity and enhance the efficiency of our manufacturing processes. The facility is intended to be built-out as an expansion to our existing manufacturing facility in Winnipeg. We will not be funding the expansion of our manufacturing facility from the proceeds of the offering. See ''Risk Factors''.

Intellectual Property

Our success depends in part on our ability to obtain and enforce patent and other intellectual property rights in respect of our antibody discoveries, cytotoxic proteins and elements of, and improvements to, our technology platform and processes. We intend to pursue patent coverage for our intellectual property in countries where we believe a substantial market for our product candidates exists. As described below, certain of our product candidates are the subject of patents and patent applications that we have licensed from third parties. Typically, license agreements expire on the expiration of the last patent licensed pursuant to the agreement.

Our know-how and technology may not be patentable or we may, for strategic business reasons, elect not to patent our know-how and technology, though they may constitute trade secrets. To help protect our intellectual property rights, we require all of our employees, consultants, advisors, and collaborators to enter into confidentiality agreements. We cannot assure you, however, that these agreements will provide meaningful protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use or disclosure. See ''Risk Factors''.

Intellectual Property Relating to our Product Candidates

Proxinium™ and VB6-845

In January 2003, we exclusively licensed, on a worldwide basis, the rights to certain patent applications relating to the antibody used in Proxinium™ and VB6-845 from The University of Zurich, Switzerland (the ''Zurich Licence''). We are currently in the process of negotiating a license agreement in respect of the cytotoxic protein we engineer with the Proxinium™ antibody and another license required for one form of the antibody of our Proxinium™ product candidate. The payload used for VB6-845 is discussed below under ''— Intellectual Property Relating to Our Platform of Technologies — Armed Antibodies™,''.

The Zurich Licence provides that we make certain milestone payments to The University of Zurich in respect of certain stages of regulatory approval reached by a product candidate based on this antibody. In addition, we are obligated to pay royalties to The University of Zurich in respect of net sales of any product generated using this antibody, less certain amounts payable to third parties. See ''Risk Factors''.

VB6-050, VB6-008, and VB6-011

In 1994, we exclusively licensed, on a worldwide basis, the technology that we used to generate these product candidates from McGill University (the ''McGill License''). This license provides us with a fusion partner cell line that can be used to generate hybridomas from human immune cells. We pay an annual maintenance fee, and are obligated to pay milestone payments in respect of certain regulatory approvals and royalties on commercialization of any products. We intend to seek patent protection in respect of the composition of matter and therapeutic uses of our product candidates. See ''Risk Factors''.

As of March 31, 2004, we had 18 patents and patent applications relating to one of our current product candidates, VB6-011, in the United States, Canada, the European Union and other countries, of which we have been granted five patents in the United States, Australia, New Zealand, and Singapore.

Intellectual Property Relating to Our Platform of Technologies

Hybridomics™

The intellectual property in our Hybridomics™ platform is protected by the law relating to trade secrets. We have licensed three technologies which we use as tools to assist us in implementing this platform.

In addition to the McGill License, in June 2003 we licensed technology from The Trustees of Columbia University in the City of New York on an exclusive basis (the ''Columbia Licence''). This technology enables us to isolate human antibody-producing B cells generated by an immune response from cancer patients, and fuse them with immortal human myeloma cells, creating antibody-producing human hybridoma cells capable of growing continuously in culture. Consistent with industry practice, we must make milestone payments in respect of certain stages of regulatory approval reached by a product candidate generated by this technology, as well as royalties calculated with respect to net sales of such products, less certain amounts payable to third parties. See ''Risk Factors''.

We have also licensed, on a non-exclusive basis, from Cambridge University Technical Services Limited (a subsidiary of the Chancellor, Master and Scholars of University of Cambridge) (the ''Cambridge License''), the know-how and use of a proprietary human myeloma cell line. Under the Cambridge License, we must make certain milestone payments related to the clinical development of and certain regulatory approvals for each licensed product. Royalties under the Cambridge License are calculated based on the net sales of any product generated by this technology, less certain amounts payable to third parties. See ''Risk Factors''.

ImmunoMine™ and UnLock™

Our processes in respect of the ImmunoMine™ and Unlock™ technologies are protected by the law relating to trade secrets and we anticipate seeking intellectual property protection to the extent possible in respect of any product candidates generated by these processes.

Armed Antibodies™

The intellectual property rights in our Armed Antibodies™ platform consist of trade secrets and third party licenses. In August of 2002, we entered into a license agreement with Tanox Inc. (''Tanox''), subsequently assigned by Tanox to the former shareholders of Tanox Pharma B.V. (a subsidiary of Tanox), granting us an exclusive license to certain Tanox patents and know-how related to a patented cytotoxic protein. See ''Risk Factors''.

In October 2002, we entered into a research agreement with Biovation Ltd. (Merck KgaA) (''Biovation'') to further develop the cytotoxic protein licensed from Tanox. This collaboration identified and removed regions of this cytotoxic protein to which the human immune system would otherwise have responded, resulting in a cytotoxic protein less likely to be neutralized by the human immune system. In March 2004, as a result of the successful conclusion of the collaboration, we entered into an exclusive worldwide license with Biovation with respect to technology relating to methods of modifying regions of the cytotoxic protein. We have filed a provisional patent application relating to this modified cytotoxic protein in the United States. See ''Risk Factors''.

Intellectual Property Relating to our Manufacturing

Consistent with industry practice, our manufacturing processes are protected by the law relating to trade secrets. In November of 2001, we entered into a non-exclusive license agreement with XOMA Ireland Ltd. (''XOMA''), pursuant to which we have licensed a proprietary bacterial cell expression technology intended to facilitate increases in antibody

production yields. The XOMA license provides that we pay certain milestone payments and we pay royalties in respect of net sales of products produced using this technology.

Research and Development Collaborations

In the ordinary course of business, we enter into research and development arrangements with third parties to provide services to augment our discovery and development research. These third party developers are typically compensated on the basis of a fee for service, milestone payments or royalty payments from the future sale of the products under development, or some combination of these.

In May 2003, we entered into a one-year exclusive monoclonal antibody discovery and screening collaboration with Affitech AS of Norway. The goal of this research collaboration is to exploit the human immune response to cancer and generate human antibodies suitable for development as cancer therapeutics and to identify the corresponding antigens for such antibodies.

We have recently renewed a two year research and development agreement with Columbia University which expires in June 2004 to research the generation of human hybridomas to identify tumor-associated antigens. We have an option to license any intellectual property resulting from this collaboration on an exclusive basis.

Competition

Product Development Candidates

The biopharmaceutical industry is intensely competitive. Many companies are actively engaged in activities similar to ours, including research and development of drugs for the treatment of cancer. A 2003 survey by PhRMA listed over 180 companies in North America performing clinical studies for the treatment of cancer. Many of these companies are developing drugs that fight the disease in new ways, while some involve research on new ways to use existing medicines. The PhRMA survey detailed nearly 400 cancer clinical trials, including 70 for lung cancer, 49 for breast cancer, 48 for colon cancer, and 44 for prostate cancer. According to this survey, there were only five drugs in development for the treatment of bladder cancer and 18 drugs in development for the treatment of head and neck cancer, including our own.

Our Platform of Technologies

Our integrated platform of technologies is based on two key features: (i) isolating the human antibody response to cancer for monoclonal antibody generation, and (ii) delivering cytotoxic protein payloads to tumors. We have competitors in both of these areas as described below.

Monoclonal Antibody Generation

Our Hybridomics™ technology isolates antibodies from the human immune system, and is independent of the need for a known target antigen for antibody generation. Unlike our antibodies, the antibodies generated by our competitors may only be generated once an antigen target has been identified and are not obtained from humans, although some of them are commonly referred to as ''human antibodies''. Antibodies generated by our competitors fall into several classes: murine, mouse-human chimeric, humanized or ''human''. We are not aware of any companies generating fully human monoclonal antibodies. See ''—About Monoclonal Antibodies''. Producers of humanized antibodies that are approved for sale in the United States include Genentech, Inc. and Hoffmann-La Roche Ltd. (Herceptin®), Genentech, Inc. (Avastin), Wyeth Inc. (Mylotarg®), ImClone Systems Incorporated (Erbitux), Millennium Pharmaceuticals, Inc. and Ilex Oncology, Inc. (Campath®), MedImmune, Inc. (Synagis®) and Centocor, Inc. (Remicade®). Companies that develop products based on transgenic mouse antibodies include Abgenix, Inc. (ABX-EGF) and Cambridge Antibody Technology Group plc and Abbott Laboratories Limited (Humira®). Companies that develop products approved for sale in the United States incorporating mouse-human chimeric antibodies include Biogen IDEC Pharmaceuticals Inc., Genentech, Inc. and Hoffman-La Roche Ltd. (Rituxan®), Centocor Inc. (ReoPro®) and Novartis Pharma AG (Simulect®).

Many of these competitors have large libraries of product candidates. For example, Abgenix, Inc., Medarex, Inc., and Cambridge Antibody Technology Group plc have, in aggregate, over 30 products in various stages of clinical development across a wide variety of disease types, most of which were developed on behalf of other companies.

Payload Delivery

The attachment of payloads to antibodies may make them more effective. Two of our major competitors in the field of antibody payload development, Seattle Genetics, Inc. and ImmunoGen, Inc., have principal payload technology based upon small molecule cytotoxic drugs that require chemical conjugation through a linker to attach the payload to the antibody. Each of these two companies has three products in clinical development, the most advanced of which are in Phase II clinical trials. In addition, there are two radiolabelled antibodies approved for sale in the United States, Zevalin® (Biogen IDEC Pharmaceuticals Inc.) and Bexxar® (Corixa Corp. and GlaxoSmithKline plc). In contrast, our cytotoxic protein payloads are directly linked to our antibodies, and we believe this production of the payload and antibody together lowers production costs and enhances the stability of the linkage. In addition, our cytotoxic protein payloads are not expected to have the problems of radioactive exposure associated with radioisotope payload delivery.

Employees

As of March 31, 2004, we had approximately 59 staff members including 19 with advanced degrees, 13 of whom possess either a Ph.D. or an M.D. Of our total employees, approximately 40% are engaged in antibody discovery and development, approximately 50% are engaged in clinical, manufacturing and quality operations, and the balance is engaged in other activities such as finance, intellectual property, administration, and investor relations. None of our employees are covered by a collective bargaining agreement, we have not experienced any work stoppages and we consider our relationship with our employees to be good.

Facilities

Our registered and head office, located at 10 Four Seasons Place, Suite 501, Toronto, Ontario, consists of approximately 8,300 square feet of office space at an estimated net annual rent of $103,575 for 2004. The lease expires on December 31, 2005.

We also lease an approximately 31,100 square foot manufacturing, laboratory, and office facility at 147 Hamelin Street in Winnipeg, Manitoba at an estimated net annual rent of $181,600 for 2004. The Winnipeg facility is leased from an affiliate of one of our principal shareholders and Chair of our board of directors, Mr. Leslie Dan. The lease expires on June 30, 2008. See ''Interest of Management and Others in Material Transactions''.

Current Approaches to Cancer Therapy

The term ''cancer'' encompasses a large group of diseases whose common feature is the uncontrolled division and growth of abnormal cells. These abnormal cells can form malignant tumors that may metastasize, or spread to adjacent tissues, by entering the blood or surrounding lymph systems to form secondary tumors in distant parts of the body. These latter forms of metastatic cancer are often fatal.

Cancer is a major health care problem worldwide as an estimated 10 million people are diagnosed with some type of cancer annually. Despite some improvement in survival due to advances in cancer therapy, cancer remains the second leading cause of death in the United States and is predicted to surpass heart disease as the leading cause of death by 2010. The American Cancer Society estimates that more than 550,000 people in the United States will die from cancer in 2004 and over 1,300,000 are expected to be diagnosed with the disease. The Canadian Cancer Society estimates that in Canada there will be approximately 140,000 new cases of cancer and more than 65,000 deaths due to cancer in 2004.

The National Institutes of Health in the United States (''NIH'') estimate the annual direct medical costs of cancer treatment in the United States to exceed US$64 billion. Revenues in the global oncology market for chemotherapeutic approaches to treatment are reported to be in excess of US$20 billion, and are expected to increase to over US$45 billion by 2011. NIH also predicts that overall aging in the North American population will double the prevalence of cancer by 2050. North America, Europe and Japan are the principal markets for cancer therapies because of their public and private healthcare payor systems. See ''Risk Factors''.

Surgery, radiation and chemotherapy remain the principal effective treatments for cancer. Surgical resection can be an effective treatment for tumors that have not spread, but many patients treated with surgery have disease recurrent at some later point. Radiation therapy is useful for the treatment of a number of early-stage tumors, but generally has limited effectiveness for established tumors or tumors that have spread. Chemotherapy has evolved in recent years, and in some cases has proven effective in the short-term palliation of disease as well as in the prolongation of survival. The major limitation of chemotherapy is the indiscriminate nature with which it can kill both normal cells as well as cancer

cells. This frequently leads to a number of undesirable side effects, including severe nausea, alopecia (hair loss) and a dramatic weakening of the immune system. The overall clinical benefit to the patient, as measured by the drug's effect on the cancer, must be weighed against the toxicity that the therapy has caused. We believe that the future of cancer therapy is in the development of therapies that act potently to attack the tumor, but are safe and tolerable for the patient. We believe that our Armed Antibodies™ approach is unique, and has the potential to develop safer, more potent anti-cancer therapeutics than those that are currently available.

BIOPHARMACEUTICAL REGULATORY MATTERS

The manufacture, distribution, sale and consumption of biopharmaceutical products is controlled by national and local regulatory authorities. Even though a drug may be approved for use in one jurisdiction (*e.g*. Canada), it may not be sold in another jurisdiction (*e.g*. the United States) until approved by the regulatory authority in that jurisdiction. The regulatory approval process for the manufacture and sale of pharmaceuticals varies from country to country and the time required may be longer or shorter than that required by Health Canada or the United States Food and Drug Administration (''FDA'').

The approval of biopharmaceutical products is controlled in Canada by Health Canada and in the United States by the FDA. These regulatory authorities regulate clinical investigation of therapeutic drugs and require the administrative approval and licensing of all new drugs as well as certain manufacturing facilities. Applicants for new therapeutic drugs or biopharmaceuticals are required to establish the safety and efficacy of both the products and manufacturing practices before being allowed to go to market. Substantially similar regulatory authorities exist in Europe, Asia and other parts of the world and these regulatory authorities perform similar functions to Health Canada and the FDA.

For the purposes of Health Canada and FDA regulatory approval processes, our antibodies are considered to be ''biologics''. Biologics, in contrast to drugs that are chemically synthesized, are derived from living sources (such as humans, animals, and microorganisms). Most biologics are complex mixtures that are not easily identified or characterized, and many biologics are manufactured using biotechnology. In addition, biological products are considered to be ''drugs'' under the Canadian *Food and Drugs Act* and the United States Food, Drug and Cosmetic Act and as such are subject to the adulteration, misbranding, and registration provisions applicable to drugs under such legislation.

New biological drugs, such as those we intend to develop, must pass through a number of testing phases, including pre-clinical research and development and clinical trials. The pre-clinical phase involves laboratory testing of the properties, purity and chemical stability of a drug and the evaluation of its pharmacology and toxicology in animal models. In the United States, after demonstrating potentially valuable pharmacological activity combined with an acceptable level of toxicity, a drug may be granted Investigational New Drug (''IND'') status. In Canada, the demonstration of potentially valuable pharmacological activity and acceptable toxicity is submitted to Health Canada by way of a CTA. A biological drug must obtain IND status in the United States, or CTA status in Canada, before it can undergo clinical trials in humans.

Following approval by a given jurisdiction's regulatory authority, such as Health Canada or the FDA, clinical trials are carried out in three ''phases''. In general, Phase I studies are designed to evaluate the safety, toxicity and pharmacokinetic properties of a drug in a human study population that has met the clinical trial entry criteria. In Phase II, the efficacy, dosage, side effects and safety of that drug are established in a larger study population. Phase III clinical trials compare the drug in a controlled study of patients to currently accepted methods of diagnosis or treatment in the anticipation that significant clinical efficacy can be demonstrated. Phase III clinical trials involve an expanded patient population at geographically dispersed test sites, typically conducted on a global basis, under the supervision of the local regulatory authority. Phase III trials also generate information from which the overall risk-benefit relationship related to the drug can be determined and provide information for drug labelling.

Two key factors that influence the progression of clinical trials are the rate at which patients can be recruited into clinical trials and whether effective treatments are currently available for the disease the drug is intended to treat. Patient recruitment is largely dependent upon the incidence and severity of the disease and the alternative treatments available, as well as alternate research studies. As a result of these factors, many applicants for new therapeutic drugs or biopharmaceuticals, including us, conduct clinical trials at sites around the world in order to accelerate patient recruitment. While we cannot assure you that regulatory bodies in jurisdictions such as Canada or the United States will accept the data generated from clinical trials held in centres outside these jurisdictions, trials are typically conducted at sites approved by, for example, Health Canada or the FDA, in order to increase the likelihood of the admissibility of

the data by Health Canada or the FDA. While our clinical trials are not being conducted at sites approved by either Health Canada or the FDA, the clinical research organizations that are conducting our trials have advised us that they have previously supervised clinical trials in countries other than the United States on behalf of other companies and the data generated from those trials have been used to support certain NDAs in the United States.

In addition to the regulation of the pre-clinical and clinical trial process, the manufacture of biopharmaceutical products is also controlled by regulatory authorities. Since the method of manufacture may affect the efficacy and safety of a drug, information on chemistry and manufacturing methods must be presented. For instance, both Health Canada and the FDA conduct inspections to determine compliance with ''good manufacturing practices'' (''GMP'') to ensure that GMP and quality control procedures are in place prior to marketing, and possibly earlier in the clinical development process.

If clinical studies establish that a new drug has demonstrable therapeutic value, an NDA in the United States, or a New Drug Submission (''NDS'') in Canada, is submitted to the regulatory authority for the purpose of marketing approval. Where an NDA or NDS and relevant manufacturing premises are found satisfactory by the relevant regulatory agency, a notice of compliance (''NOC''), along with an identification number in Canada and potentially a manufacturing facility license are issued permitting the drug to be marketed and sold. A product may remain in new drug status for a number of years until the regulatory authority determines that sufficient information on the safety and efficacy of the product has been accumulated, although an NOC typically takes between 12 and 24 months or longer to issue from the date an NDA or NDS is submitted.

The process of completing clinical testing and obtaining regulatory approval for a new product often takes many years and requires the expenditure of substantial resources. If an application is submitted, there is no assurance that a regulatory authority, such as Health Canada or the FDA, will approve it. Even after initial approval has been obtained, further studies, including post-marketing studies (also known as ''Phase IV'' studies), may be required to provide additional data on the level of safety and efficacy necessary to gain approval for the use of a product as a treatment for clinical indications other than those for which the product was initially tested. The regulatory authority may also require post-market surveillance programs to monitor a product's side effects, which may limit or expand the subsequent marketing of a product. A serious safety or effectiveness problem involving an approved drug may result in a regulatory agency requiring withdrawal of the product from the market and possible civil action. We also cannot assure you that regulatory authorities will classify products of our competitors the same way that they classify our products, nor that they will review and screen our competitors' regulatory submissions in the same manner as ours. See ''Risk Factors''.

Given the uncertainty, extensive time, and financial expenditures involved in moving a drug through the regulatory process from development to market, we may never be able to successfully develop safe, commercially viable products. If we are unable to do so, our business, financial condition and results of operations would be materially adversely affected. See ''Risk Factors''.

USE OF PROCEEDS

Assuming the maximum offering, that the Over-Allotment Option is not exercised, and after deducting fees payable to the Agents and the estimated expenses of the offering, our estimated net proceeds from the offering will be up to $ ● . If the Over-Allotment Option is exercised in full, our additional net proceeds will be $ ● . We intend to use the net proceeds of the offering as follows;

- approximately $ ● million for costs related to product discovery and development activities, including ongoing and planned clinical trials, research and development, regulatory applications and product manufacturing;
- approximately $ ● million to repay outstanding convertible debentures and other debt; and
- the balance for working capital and other general purposes.

Assuming the maximum offering, we anticipate that the $ ● million of funds to be obtained from the offering and used for costs related to product discovery and development activities, will be used to fund Phase I clinical trials in Russia and Brazil for our lead product candidate, Proxinium™ for the treatment of head and neck cancer, anticipated Phase I clinical trials for Proxinium™ for the treatment of bladder cancer, and pre-clinical studies for the remainder of our other principal product candidates. Assuming the maximum offering, we anticipate that the $ ● million to be utilized for these clinical trial and pre-clinical activities will sustain our operations for the next ● months.

Of the $4,000,000 in principal amount of convertible debentures that we intend to repay from the proceeds of the offering, $2,000,000 are beneficially owned by, directly or indirectly, Ms. Andrea Dan-Hytman, and $2,000,000 are beneficially owned by, directly or indirectly, Mr. Leslie Dan. These convertible debentures grant the holder the option to convert the principal amount into units and were issued in order to finance operations. See ''Principal Shareholders'', ''Interest of Management and Others in Material Transactions'', and ''Risk Factors''.

The $ ● in other debt that we intend to repay with the proceeds of the offering represents various bridge financing loans we have received and expect to receive prior to the closing of the offering from one of our principal shareholders, Mr. Leslie Dan and an entity affiliated with him. From November 27, 2003 to April 1, 2004, we obtained $4,900,000 in bridge financing from Mr. Dan or entities affiliated with him in order to fund operations. We expect to receive additional bridge financing loans from Mr. Dan or entities affiliated with him in the amount of $1,500,000 prior to the closing of the offering. See ''Principal Shareholders'' and ''Interest of Management and Others in Material Transactions'', and ''Risk Factors''.

The offering is being sold on a ''best efforts'' basis, and, as a result, we cannot assure you that the maximum offering will be sold. If the maximum offering is not sold, the proceeds available to us will differ from the amounts outlined above. See ''Plan of Distribution'' and ''Risk Factors''.

Our ultimate allocation of the net proceeds and the timing of their expenditure will depend upon prevailing business opportunities and conditions, regulatory approvals, agreements with strategic partners, and the progress of clinical development and testing.

SELECTED FINANCIAL INFORMATION

The following tables set forth selected financial information for the periods indicated. The annual information is derived from, and is qualified in its entirety by reference to, our audited annual financial statements for the years ended December 31, 2003 and 2002, which have been prepared in accordance with Canadian generally accepted accounting principles, including the accompanying notes, appearing elsewhere in this prospectus and our audited annual financial statements for the year ended December 31, 2001. The quarterly information is derived from, and is qualified in its entirety by reference to, our unaudited interim financial statements as at the dates indicated, including the accompanying notes. Such unaudited interim financial statements include all adjustments, consisting of normal recurring accruals, which we considered necessary for a fair presentation of our financial position and the results of operations for these periods. You should read the following information in conjunction with those statements and the accompanying notes and ''Management's Discussion and Analysis'', also appearing elsewhere in this prospectus. **The per share numbers contained in the following tables do not reflect the consolidation of our common shares as described in the section ''Common Share Reorganization''.**

Annual Information

	Year ended December 31,		
	2003	2002	2001
	(thousands of dollars, except per share numbers, audited)		
Net Loss	(12,778)	(12,269)	(14,770)
Basic and diluted loss per share	(0.05)	(0.06)	(0.08)
Total Assets	2,739	11,249	7,425
Bridge Financing Loans[(1)]	1,500	—	—
Total long-term financial liabilities (including current portion thereof)	4,000	6,000	—

Quarterly Information

	Quarter Ended							
	2003				2002			
	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
	(thousands of dollars, except per share numbers, unaudited)							
Net Loss	(3,426)	(3,455)	(2,970)	(2,927)	(3,765)	(3,199)	(2,930)	(2,375)
Basic and diluted loss per share[2]	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)	(0.02)	(0.01)
Total Assets	2,739	4,425	4,662	7,705	11,249	4,216	7,975	4,846
Bridge Financing Loans[1]	1,500	500	—	—	—	—	—	—
Total long-term financial liabilities (including current portion thereof)	4,000	4,000	4,000	4,000	6,000	6,000	6,000	—

Notes:

(1) Subsequent to the year end, we received an additional $3,400,000 from Mr. Leslie Dan and an entity affiliated with him. See ''Management's Discussion and Analysis'' and ''Interest of Management and Others in Material Transactions''.

(2) Quarterly loss per share numbers may not, in the aggregate, equal annual loss per share numbers due to rounding.

MANAGEMENT'S DISCUSSION AND ANALYSIS

You should read the following discussion in conjunction with our audited annual financial statements for the years ended December 31, 2003 and 2002 and accompanying notes, which have been prepared in accordance with Canadian generally accepted accounting principles, appearing elsewhere in this prospectus, and our audited annual financial statements for the year ended December 31, 2001.

Overview

We are a biopharmaceutical company specializing in the discovery and development of fully human monoclonal antibody therapies for the treatment of cancer. We currently have a lead product candidate in Phase I clinical development, Proxinium™ for the treatment of head and neck cancer, and several other product candidates in pre-clinical development. Our platform of technologies is based upon the isolation of human monoclonal antibodies obtained from cancer patients and the development of those antibodies to deliver cytotoxic payloads to cancer cells. We believe that our platform has the potential to develop safer, more potent anti-cancer therapeutics than those that are currently available. Our manufacturing facility is intended to produce multiple product candidates per year, and we believe it will produce sufficient quantities of our Armed Antibodies™ to meet our currently anticipated pre-clinical and clinical trial needs.

From 2000 to 2002 we were primarily focused on the development of our two prior lead product candidates, VB2-011 (formerly H11) and 4B5, while concurrently building our core platform technologies. During 2002, we moved from a strategy of developing two lead products to a strategy based on the development of multiple product candidates by utilizing our target discovery, identification and antibody development programs Hybridomics™, UnLock™, ImmunoMine™, and Armed Antibodies™. See ''Our Business''.

Our success is dependent, in large part, on completing product development, obtaining regulatory approvals and commercializing, or entering into agreements with third parties to commercialize, our product candidates. Successful completion of these activities is necessary to allow us to continue research and product development activities and the commercialization of our products. It is not possible to predict either the outcome of future research and development programs or our ability to fund these programs going forward.

We have incurred losses of $12,778,000, $12,269,000 and $14,770,000, respectively, over the past three years. At December 31, 2003, we had cash reserves, consisting of cash and short term investments, of approximately $298,000, compared to $8,435,000 at December 31, 2002. Substantially all of the financing we have received during the past three years has been received from the Dan Group. See ''Principal Shareholders'' and ''Interest of Management and Others in Material Transactions''. During the year ended December 31, 2003, we received three bridge financing loans from an entity affiliated with one of our principal shareholders, Mr. Leslie Dan. On September 2, 2003, we received a bridge financing loan from an entity affiliated with Mr. Dan in the amount of $500,000, which was non-interest bearing and was repaid in October 2003. On November 27 and December 15, 2003, we also received bridge financing loans from the same entity in the amounts of $500,000, and $1,000,000, respectively. These loans bear interest at 4.5% per annum

and are payable upon demand. Subsequent to year end, we received three bridge financing loans from Mr. Dan. On January 16, 2004, we received $1,200,000; on February 13, 2004, we received $1,500,000; and on April 1, 2004, we received $700,000. These loans bear interest at 4.5% per annum and are payable on demand. We expect to receive an additional $1,500,000 in bridge financing loans from Mr. Dan, or entities affiliated with him, prior to closing of the offering.

For additional information with respect to the financial assistance we have received, see notes 1, 6, 7, 8 [a] and 16 [b], [c], and [d] to the financial statements in ''Audited Annual Financial Statements'' and see also ''Interest of Management and Others in Material Transactions''. We continue to seek additional sources of funding to finance operations into the future. There is substantial doubt about our ability to continue as a going concern, because we cannot assure you that additional financing will be available as required and on acceptable terms, if at all. If adequate funds are not available we may be required to reduce the scope of, or eliminate, one or more of our research and development programs, or may be required to significantly scale back or cease operations. See ''Risk Factors''.

Results of Operations

We reported a net loss of $12,778,000 or $0.45 [$0.05] per share for the year ended December 31, 2003 compared to a net loss of $12,269,000 or $0.62 [$0.06] per share for the year ended December 31, 2002 and a net loss of $14,770,000 or $0.80 [$0.08] per share for the year ended December 31, 2001. We have incurred operating losses since inception. We have not derived any revenues to date from the sale of products. Future profitability will depend on our ability to bring products to market in a timely manner, obtaining necessary regulatory approvals and entering into suitable licensing or partnership agreements to commercialize our product candidates. At December 31, 2003, we had an accumulated deficit of $77,000,000. We had 29,186,463 [291,864,627] common shares issued and outstanding on December 31, 2003.

Comparison of 2003 to 2002

Our total research and development and operating expenditures for 2003 increased by $816,000 or 8.2% to $10,708,000 compared to expenditures of $9,892,000 in 2002. Research related activities were $4,752,000 for the year ended December 31, 2003 compared to $4,307,000 for the year ended December 31, 2002. Contracted research costs with Affitech AS, Biovation and a number of university research agreements, along with clinical trial agreements and pre-clinical studies, accounted for the increase in research costs. These increases were partially offset by reduced intellectual property legal costs and reduced license fees. Overall research costs are expected to increase in the future as more product candidates are moved through pre-clinical and clinical testing.

The increase in salaries and benefits amounting to $285,000 or 6.7% from $4,266,000 for the year ended December 31, 2002, compared to $4,551,000 for the year ended December 31, 2003, is attributable to the addition of a Manager, Regulatory Affairs and the payout of severance costs. Annual salary increments and corresponding increased costs for employee health benefits also accounted for a portion of the increase.

Occupancy costs were $789,000 for the year ended December 31, 2003 compared to $664,000 for the year ended December 31, 2002, an increase of $125,000 or 18.8%. This increase is attributable to the leasing of additional space at our Winnipeg manufacturing facility along with additional utility and maintenance costs. See ''Interest of Management and Others in Material Transactions''.

Other operating costs were $529,000 for the year ended December 31, 2003 compared to $607,000 for the year ended December 31, 2002. The decrease was the result of reduced equipment lease costs, equipment maintenance costs and insurance costs amounting to $185,000. This reduction was partially offset by increased travel costs related to increased clinical and research activities.

Our general and administrative expenditures amounted to $1,107,000 for the year ended December 31, 2003 compared to $1,408,000 for the year ended December 31, 2002, a reduction of $301,000 or 21.4%. Decreases in investor relations costs, legal and audit costs, capital taxes, and foreign exchange gains accounted for the reduction.

Amortization of deferred financing expense increased by $47,000 for the year, representing a full year of amortization, whereas the previous year accounted for only a portion of the year.

Interest expense amounted to $435,000 for the year ended December 31, 2003 compared to $338,000 for the year ended December 31, 2002. The increase is attributable to a full year of interest expense relating to the convertible

debentures we issued in June 2002, whereas the debenture interest expense for 2002 was incurred for only a portion of the year.

Miscellaneous income consists of interest income of $78,000 for the year ended December 31, 2003 compared to $55,000 for the year ended December 31, 2002. The increase in interest income is a result of higher average cash balances on hand in 2003.

During the year ended December 31, 2003, the Canadian Institute of Chartered Accountants (''CICA'') amended its pronouncement relating to stock-based compensation, requiring companies to measure and expense all equity instruments awarded to employees. In accordance with this pronouncement, we prospectively adopted the new recommendation. Consequently, we applied a fair value based method to expense employee stock options awarded since January 1, 2003. We did not issue any stock options during the year ended December 31, 2002 to require the presentation of pro forma net loss for that year. See ''Options to Purchase Securities — Equity Compensation Plans''.

Comparison of 2002 to 2001

Total research and development and operating expenditures for the year ended December 31, 2002 of $9,892,000 represent an increase of $1,609,000 or 19.4% over costs of $8,283,000 for the year ended December 31, 2001. Increased research activities in the areas of contracted research costs at Columbia University and the University of Zurich, and in-licensed technologies, as well as costs associated with increased activities for our Hybridomics™, ImmunoMine™, and Armed Antibodies™ programs, accounted for much of the increase in our 2002 fiscal year when compared to our 2001 fiscal year. See ''Our Business — Intellectual Property''. Increased intellectual property legal costs and one time legal costs related to patent litigation with National Research Council of Canada (''NRC'') accounted for an additional portion of the overall increase.

The increase in salaries and benefits to $4,266,000 for the year ended December 31, 2002 amounting to $406,000 or 10.5% from $3,860,000 for the year ended December 31, 2001, is attributable to annual salary increments, increased staff levels and increased costs for employee health benefits, as well as higher performance incentive costs.

Lower maintenance costs and business taxes account for the reduced occupancy costs of $664,000 for the year ended December 31, 2002 when compared to $822,000 for the year ended December 31, 2001.

General and administrative expenditures amounted to $1,408,000 for the year ended December 31, 2002 compared to $1,441,000 for the year ended December 31, 2001. Increases in investor relations costs, promotions and computer systems maintenance and supplies, were primarily offset by reduced expenditures in office operating costs and conferences.

Amortization of deferred financing expenses amounting to $35,000 for the year ended December 31, 2002, represent amortization costs related to the convertible debentures, issued in June 2002.

Interest expense amounted to $338,000 for the year ended December 31, 2002 compared to $16,000 for the year ended December 31, 2001. The increase is solely attributable to interest expense resulting from the convertible debentures issued in June, 2002.

Miscellaneous income was $55,000 for the year ended December 31, 2002 compared to $338,000 for the year ended December 31, 2001 and is comprised of interest income and one other item. The decline in interest income of $183,000 for the year ended December 31, 2002 when compared to the year ended December 31, 2001 is the result of lower cash balances on hand in 2002 and reduced interest rates available for investment in 2002. In addition, miscellaneous income for the year ended December 31, 2001 includes $100,000 resulting from the one time sale of our rights to paclitaxel and human growth hormone, two of our previous non-core product candidates.

We review the unamortized balance of acquired research and development costs on a regular basis. In 2001, we determined that based on our research and development priorities it was unlikely that the development of our acquired research and development technology would occur in the near future. This created doubt as to the likelihood of eventual recoverability, and, accordingly, $4,870,000 was written off in 2001. There was no balance carried forward to 2002 or 2003 and, as a result, no further cost was recognized.

During the year ended December 31, 2001, we filed a claim against the NRC and certain individuals employed by the NRC with respect to a dispute of co-inventorship regarding specific aspects of one of our technologies and the related patents and patent applications. On June 12, 2002, an agreement was reached in principle. As part of this agreement, we retained the right to the intellectual properties. In return, we are obligated to make royalty payments

should we generate revenue from the intellectual properties in question. In December 2003, a formal agreement reflecting the terms of the agreement was executed and all related claims were dropped. We incurred approximately $244,000 in 2002 and approximately $135,000 in 2001 in legal costs pertaining to this matter. No substantial additional costs were incurred in 2003.

Quarterly Information

	Quarter Ended							
	2003				2002			
	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
	(thousands of dollars, except per share numbers, unaudited)							
Net Loss	(3,426)	(3,455)	(2,970)	(2,927)	(3,765)	(3,199)	(2,930)	(2,375)
Basic and diluted loss per share[1]	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)	(0.02)	(0.01)
Total Assets	2,739	4,425	4,662	7,705	11,249	4,216	7,975	4,846
Bridge Financing Loans[2]	1,500	500	—	—	—	—	—	—
Total long-term financial liabilities (including current portion thereof)	4,000	4,000	4,000	4,000	6,000	6,000	6,000	—

Notes:

(1) Quarterly loss per share numbers may not, in the aggregate, equal annual loss per share numbers due to rounding.

(2) Subsequent to the year end, we received an additional $3,400,000 from Mr. Leslie Dan and an entity affiliated with him. See ''Management's Discussion and Analysis'' and ''Interest of Management and Others in Material Transactions''.

Liquidity And Financial Resources

Since January 1, 2000, we have financed substantially all of our operations through the sale of equity securities, bridge loan financing from Mr. Leslie Dan or entities affiliated with Mr. Dan, and the issuance of secured convertible debentures to the Dan Group. Our two principal shareholders are Mr. Leslie Dan and Ms. Andrea Dan-Hytman who own or control other companies that collectively own approximately 82.8% of our outstanding common shares at December 31, 2003. Mr. Dan is also the Chair of our board of directors. During the year ended December 31, 2003, we received three bridge financing loans from an entity affiliated with Mr. Dan. On September 2, 2003, we received a bridge financing loan from an entity affiliated with Mr. Dan in the amount of $500,000, which was non-interest bearing and was repaid in October 2003. On November 27 and December 15, 2003, we also received bridge financing loans from the same entity in the amounts of $500,000, and $1,000,000, respectively. These loans bear interest at 4.5% per annum and are payable upon demand. Subsequent to year end, we received three bridge financing loans from Mr. Dan. On January 16, 2004, we received $1,200,000; on February 13, 2004, we received $1,500,000; and on April 1, 2004, we received $700,000. These loans bear interest at 4.5% per annum and are payable on demand. We expect to receive an additional $1,500,000 in bridge financing loans from Mr. Dan, or entities affiliated with him, prior to the closing of the offering.

We continue to seek additional sources of funding to finance operations into the future. There is substantial doubt about our ability to continue as a going concern, because we cannot assure you that additional financing will be available as required and on acceptable terms, if at all. If adequate funds are not available we may be required to reduce the scope of, or eliminate one or more of, our research and development programs, or we may be required to significantly scale back or cease our operations. See ''Risk Factors''.

We have incurred losses of $12,778,000, $12,269,000 and $14,770,000, respectively, over the past three years. These losses include a write-off of $4,870,000 in 2001. No similar costs were incurred in 2002 or 2003. At December 31, 2003, we had cash reserves, consisting of cash and short term investments, of approximately $298,000 compared to $8,435,000 at December 31, 2002.

On January 7, 2004, our then President and Chief Executive Officer resigned. Pursuant to his resignation agreement with us, the total severance benefits that are to be paid out by us in 2004 and 2005 total up to $492,500. See ''Executive Compensation — Employment Contracts''.

We enter into research, development and license arrangements with various parties in the ordinary course of business. These arrangements are in respect of various research services that are being provided to us and that enable us to utilize know-how and technology. The arrangements require compensation to be paid by us, typically by a

combination of the following methods: fees comprising amounts due initially upon entering into the arrangements as well as additional amounts due either on specified timelines or for defined services to be provided; milestone payments that are dependent on products developed under the arrangements proceeding towards specified plans of clinical trials and commercial development; and royalty payments calculated as a percentage of net sales commencing upon commercial sales of any product candidates developed as a result of such know-how or technology.

As at December 31, 2003, our commitments under the above arrangements for the next five years and thereafter were as follows:

Year	Commitments (in thousands of dollars)
2004	1,297
2005	107
2006	107
2007	107
2008 and annually thereafter	107
	1,725

The amounts above principally comprise fee-related committed research and license payments and potential milestone payments due in 2004. Other milestone and royalty-related amounts that may become due under the various arrangements are dependent on, among other factors, products identified as investigational new drugs, clinical trials, regulatory approvals and ultimately the successful development of a new drug, the outcome and timing of which are uncertain.

Amounts due pursuant to the various agreements for milestone payments will be accrued once the occurrence of a milestone is likely. Amounts due as royalty payments will be accrued as commercial revenues from the product are earned.

We periodically enter into research agreements or strategic alliances with third parties that include indemnification provisions that are customary in the industry. These guarantees generally require us to compensate the other party for certain damages and costs incurred as a result of third party intellectual property claims or damages arising from these transactions. In some cases, the maximum potential amount of future payments that could be required under these indemnification provisions is unlimited. These indemnification provisions generally survive termination of the underlying agreement. The nature of the intellectual property indemnification obligations prevents us from making a reasonable estimate of the maximum potential amount it could be required to pay. Historically, we have not made any indemnification payment under such agreements and no amount has been accrued in the accompanying financial statements with respect to these indemnification obligations.

Our future minimum commitments under capital and operating leases for premises for the next five years are as follows:

Year	Commitments (in thousands of dollars)
2004	309
2005	304
2006	202
2007	200
2008	100
	1,115

The capital lease for computer equipment expires May 2006 and interest is paid on the outstanding balance at 9.125% per annum.

As of December 31, 2003 our Winnipeg facility, the commitments for which are included in the above table, were leased from an affiliate of Mr. Dan at an estimated annual rent of $181,600 for 2004, $189,225 for 2005, $197,900 for 2006 and $200,300 thereafter. The lease expires on June 30, 2008. See ‘‘Interest of Management and Others in Material Transactions’’.

On September 10, 2003, we completed a private equity placement with an indirect, wholly-owned subsidiary of Teva Pharmaceutical, Teva Pharma B.V. (''Teva'') for approximately $2,804,000 less issuance costs of $147,000. Under the terms of this transaction, Teva purchased 1,402,100 [14,021,000] units issued by us at a price of $2.00 [$0.20] per unit. The unit price was based on the closing price of our common shares on the TSX on August 21, 2003. Each unit consists of one of our common shares and one common share purchase warrant at an exercise price of $2.00 [$0.20]. The warrants expire on September 10, 2008. See ''Interest of Management and Others in Material Transactions''.

On February 10, 2003, we repaid, to a company controlled by Mr. Dan, $2,000,000 plus accrued interest of $24,000 of the convertible debentures previously issued on June 20, 2002. In connection with this repayment, Mr. Dan reinvested $2,000,000 less issue costs of $89,000 in the form of a private equity placement for 1,111,111 [11,111,111] units, with each unit consisting of one of our common shares and one common share purchase warrant at an exercise price of $1.80 [0.18] per common share.

On December 17, 2002, we completed a private equity placement with Mr. Dan and 1533686 Ontario Limited, a company related to Mr. Dan, for $10,000,000, less issue costs of $109,147. Under the terms of the transaction, we issued 7,142,857 [71,428,570] units at a price of $1.40 [$0.14] per unit. Each unit is comprised of one of our common shares and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of $1.40 [$0.14] per common share until December 17, 2007.

On June 20, 2002, we completed a private placement and issued three secured convertible debentures for gross aggregate proceeds of $6,000,000, less issue costs of $141,288. The debentures were issued to companies within the Dan Group and to a party related to Mr. Dan. The debentures are collateralized by a charge over all of our assets, bear interest at 10% per annum compounded and payable quarterly, and mature on May 31, 2004. Two of the debentures remain outstanding and are convertible in the aggregate into 1,538,461 [15,384,614] units at the option of the holder at any time or automatically upon the completion of an equity financing of $10,000,000 or greater. Each unit is comprised of one of our common shares and one purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of $2.60 [$0.26] per common share, at any time prior to June 20, 2007. We have entered into an agreement with the holders of the debentures pursuant to which they have agreed that the debentures will not automatically convert into units on the completion of the offering, and, in addition, have agreed not to exercise their right to conversion prior to the earlier of: (i) the termination of the offering; (ii) the closing of the offering; and (iii) May 24, 2004.

On August 24, 2001, we completed a private equity placement with our then significant shareholder Dan Family Holdings Ltd. (''DFH''), which was controlled by Mr. Dan, for net proceeds of $5,848,767. Under the terms of the transaction, DFH purchased 1,791,044 [17,910,447] units issued by us at a price of $3.35 [$0.335] per unit. Each unit consisted of one of our common shares and one common share purchase warrant. Each common share purchase warrant entitles the holder thereof to purchase one common share at an exercise price of $3.35 [$0.335] per common share until August 24, 2006. These warrants are now held by an entity controlled by Mr. Dan.

During the year ended December 31, 2001 and until August 30, 2002, we maintained a $500,000 operating line of credit (the ''Credit Facility'') with a major Canadian financial institution. The Credit Facility was secured by money market investments held with the financial institution in the amount of $500,000. As at December 31, 2001 and August 30, 2002, we did not have any amount drawn under the Credit Facility.

Risks And Uncertainties

See ''Risk Factors'' for a discussion of the risks affecting our business, financial condition, and results of operations.

DIVIDENDS

We have never paid dividends on our common shares and we do not expect to have the ability to pay dividends in the foreseeable future. If we generate earnings in the future, we expect that they will be retained to finance further growth and, when appropriate, retire debt. Our board of directors will determine if and when dividends should be declared and paid in the future based on our financial position at the relevant time. See ''Risk Factors''.

DESCRIPTION OF SHARE CAPITAL

We are authorized to issue an unlimited number of preferred shares, issuable in series, and an unlimited number of common shares. As at April 12, 2004, we had 29,186,463 [291,864,627] common shares and no preferred shares issued or outstanding. In addition, as at April 12, 2004, we had 11,447,113 [114,471,128] common share purchase warrants and 401,492 [4,014,915] options to purchase common shares outstanding, each of which entitles the holder to acquire one of our common shares at varying exercise prices.

On March 9, 2004, we announced that we would hold a special meeting of shareholders on May 7, 2004 to approve, among other things, the consolidation of our issued and outstanding common shares on the basis of ten (10) old common shares for one (1) new common share. See ''Common Share Reorganization''.

The holders of common shares are entitled to one vote for each share held at all meetings of our shareholders (other than meetings at which only holders of another class or series of shares are entitled to vote). Subject to the prior rights of the holders of our preferred shares, the holders of common shares are entitled to receive any dividend declared by our board of directors and to receive the remaining property of the Company upon dissolution.

DESCRIPTION OF THE WARRANTS

The Warrants will be issued in registered form pursuant to, and will be governed by, the terms of a warrant indenture (the ''Warrant Indenture'') entered into between us and Computershare Trust Company of Canada, as warrant agent (the ''Warrant Agent'') to be dated as of the Closing Date. Each whole Warrant will entitle the holder thereof to purchase one common share, subject to adjustment in certain circumstances, at a price of $ ● per common share at any time at or prior to the close of business on the date that is 24 months from the Closing Date at which time the Warrants will become null and void.

We will appoint the principal transfer office of the Warrant Agent in Toronto as the location at which the Warrants may be surrendered for exercise, transfer or exchange.

The exercise price and the number of our common shares issuable upon exercise of the Warrants are both subject to adjustment in certain circumstances as more fully described below. Pursuant to the terms of the Warrant Indenture, we will be entitled to purchase in the market, by private contract or otherwise, any or all of the Warrants then outstanding, and any Warrants so purchased will be cancelled.

The exercise price for the Warrants is payable in Canadian dollars.

The Warrant Indenture will provide for adjustment in the number of our common shares issuable upon the exercise of the Warrants and/or the exercise price per common share upon the occurrence of certain events, including:

(i) the issuance of our common shares or securities exchangeable for or convertible into our common shares to all or substantially all of the holders of our common shares as a stock dividend or other distribution (other than a ''dividend paid in the ordinary course'', as defined in the Warrant Indenture), or a distribution of our common shares upon the exercise of the Warrants or pursuant to the exercise of options to acquire common shares granted under our stock option plans or the exercise of securities convertible into our common shares that were outstanding prior to our entering into the Warrant Indenture. See ''Options to Purchase Securities'' and ''Principal Shareholders'';

(ii) the subdivision, redivision or change of our common shares into a greater number of shares;

(iii) the reduction, combination or consolidation of our common shares into a lesser number of shares;

(iv) the issuance to all or substantially all of the holders of our common shares of rights, options or warrants under which such holders are entitled, during a period expiring not more than 45 days after the record date for such issuance, to subscribe for or purchase our common shares, or securities exchangeable for or convertible into our common shares, at a price per share to the holder (or at an exchange or conversion price per share) of less than 95% of the ''current market price'', as defined in the Warrant Indenture, for our common shares on such record date; and

(v) the issuance or distribution to all or substantially all of the holders of our common shares of shares of any class other than our common shares, rights, options or warrants to acquire common shares or securities exchangeable or convertible into common shares, of evidences of indebtedness or cash, securities or any property or other assets.

The Warrant Indenture will also provide for adjustment in the class and/or number of securities issuable upon the exercise of the Warrants and/or exercise price per security if the following additional events occur: (i) reclassifications of our common shares; (ii) consolidations, amalgamations, plans of arrangement or mergers of the Company with or into another entity (other than consolidations, amalgamations, plans of arrangement or mergers which do not result in any reclassification of our common shares or a change of our common shares into other shares); or (iii) the transfer of any of our undertaking or assets as an entirety or substantially as an entirety to another corporation or other entity.

No adjustment in the exercise price or the number of common shares purchasable upon the exercise of the Warrants will be required to be made unless the cumulative effect of such adjustment or adjustments would change the exercise price by at least 1% or the number of common shares purchasable upon exercise by at least one one-hundredth of a common share.

We will also covenant in the Warrant Indenture that, during the period in which the Warrants are exercisable, we will give notice to holders of Warrants of certain stated events, including events that would result in an adjustment to the exercise price for the Warrants or the number of our common shares issuable upon exercise of the Warrants, at least 14 days prior to the record date or effective date, as the case may be, of such event.

No fractional common shares will be issuable upon the exercise of any Warrants, and no cash or other consideration will be paid in lieu of fractional shares. Any subscription for fractional common shares will be deemed to be a subscription for the next smallest whole number of common shares. Holders of Warrants will not have any voting or pre-emptive rights or any other rights which a holder of our common shares or, if any are ever issued, our preferred shares, would have.

From time to time, the Company and the Warrant Agent, without the consent of the holders of Warrants, may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Warrants. Any amendment or supplement to the Warrant Indenture that adversely affects the interests of the holders of the Warrants may only be made by ''extraordinary resolution'', which is defined in the Warrant Indenture as a resolution either:

(i) passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy representing at least 10% of the aggregate number of the then outstanding Warrants and passed by the affirmative vote of holders of Warrants representing not less than 66⅔% of the aggregate number of all the then outstanding Warrants represented at the meeting and voted on the poll upon such resolution; or

(ii) adopted by an instrument in writing signed by the holders of Warrants representing not less than 66⅔% of the aggregate number of all the then outstanding Warrants.

The Warrants may not be exercised, nor may common shares issuable upon exercise of the Warrants be offered or sold, in the United States unless such common shares are registered under the United States Securities Act of 1933 and applicable state securities laws or an exemption from the registration requirements of the United States Securities Act of 1933 and applicable state securities laws is available to the holder.

The foregoing is a summary only of the terms of the Warrants and is qualified by the more detailed provisions of the Warrant Indenture.

OPTIONS TO PURCHASE SECURITIES

Equity Compensation Plans

Our 1996 share option plan (the ''1996 Plan'') was approved by shareholders on December 16, 1996 with 493,337 [4,933,366] common shares reserved for issuance. We issued options under the 1996 Plan until June 2001, but no further grants of options may be made under the plan. The term of options granted under the 1996 Plan were generally five years but do not exceed ten years. The vesting period for these options is generally three years with 1/3 vesting at the end of each year, subject to the discretion of our board of directors. Options that have been granted pursuant to the 1996 Plan will continue to be governed by the 1996 Plan until they are exercised, cancelled, forfeited and/or expired. Options that have been granted pursuant to the 1996 Plan are non-transferable. As of March 31, 2004, there are 99,250 [992,500] options to purchase common shares outstanding under the 1996 Plan.

During the fiscal year ended December 31, 2001, our shareholders approved the establishment of our 2001 stock option plan (the ''2001 Plan''). The maximum number of common shares that can currently be issued under the 2001

Plan is 600,000 [6,000,000]. To date, 399,100 [3,990,996] options have been granted under the 2001 Plan and 302,242 [3,022,415] options remain outstanding. Under the 2001 Plan:

(i) the number of common shares reserved for issuance to employees and directors will not exceed 10% of the number of common shares issued and outstanding at any time;

(ii) the number of common shares that may be issued to any one employee and/or director and their associates, within a one-year period, cannot exceed 5% of the outstanding issue; and

(iii) the number of common shares reserved for issuance to any one person cannot exceed 5% of the number of common shares outstanding.

Options can be granted to any person who is a director, officer or employee of us or any subsidiary or affiliate, or any person that has been engaged to provide services to us or our affiliates. Options granted pursuant to the 2001 Plan are non-transferable. The term of any options may not exceed 10 years. The vesting period for options granted pursuant to the 2001 Plan is determined by our board of directors but is generally three years with 1/12 vesting at the end of each quarter. The exercise price for the common shares is based on the trading price for the common shares on the last trading day before the date of grant of the options.

At our special meeting of shareholders to be held on May 7, 2004 (see ''Common Share Reorganization''), in addition to asking our shareholders to approve our share consolidation, we intend to ask our shareholders to approve an increase in the number of common shares reserved for issuance pursuant to the 2001 Plan from 600,000 [6,000,000] to 2,600,000 [26,000,000], an increase of 2,000,000 [20,000,000] common shares. This increase is also subject to regulatory approval.

Although the number of shares initially reserved for issuance pursuant to the 1996 Plan was 493,337 [4,933,366], the number of options to acquire shares that have been exercised to date is 17,282 [172,817]. As of March 31, 2004, the number of outstanding options to acquire common shares pursuant to the 1996 Plan is 99,250 [992,500], and as indicated above, no further grants of options may be made pursuant to this plan. If these options expire, are cancelled, or are otherwise forfeited, they will not be available for reissuance. The aggregate number of common shares issued pursuant to the 1996 Plan, the number of shares reserved for issuance pursuant to stock options currently outstanding under the 1996 Plan plus the 600,000 [6,000,000] shares reserved for issuance under the 2001 Plan (the ''Common Share Reserve'') equals 716,532 [7,165,317] common shares representing 2.5% of the total number of common shares issued and outstanding as of March 31, 2004. If our shareholders approve the increase to the number of shares reserved for issuance pursuant to the 2001 Plan by 2,000,000 [20,000,000], the Common Share Reserve will equal 2,716,532 [27,165,317] common shares, representing 9.3% of the total number of common shares issued and outstanding as of March 31, 2004.

The following chart sets out, as at March 31, 2004, information regarding outstanding options to purchase our common shares issued pursuant to our 2001 Plan and our 1996 Plan, that are held or will be held upon completion of the offering. For a discussion of our outstanding warrants and other convertible securities, please see ''Interests of Management and Others in Material Transactions''.

	Designation and Number of Securities Under Option		Exercise Price		Market Price at Date of Grant		
Class of Optionee	**Post-Consolidation**	**Pre-Consolidation**	**Post-Consolidation**	**Pre-Consolidation**	**Post-Consolidation**	**Pre-Consolidation**	**Expiry Date**
	(#)	(#)	($/Security)	($/Security)	($/Security)	($/Security)	
All executive officers and past executive officers of the Company (4 individuals in the aggregate) . .	34,917	[349,165]	2.00	[0.20]	2.00	[0.20]	06/19/10
	132,000	[1,320,000]	2.20	[0.22]	2.20	[0.22]	11/20/11
	5,000	[50,000]	4.00	[0.40]	4.00	[0.40]	11/15/05
	20,000	[200,000]	4.40	[0.44]	4.40	[0.44]	11/25/04
	2,500	[25,000]	6.00	[0.60]	6.00	[0.60]	05/31/04
	30,000	[300,000]	7.50	[0.75]	7.50	[0.75]	05/03/05
All directors and past directors of the Company who are not also executive officers (6 individuals in the aggregate)	9,000	[90,000]	2.00	[0.20]	2.00	[0.20]	06/19/10
	27,000	[270,000]	2.20	[0.22]	2.20	[0.22]	11/20/08
	6,500	[65,000]	3.30	[0.33]	3.30	[0.33]	06/17/06
	14,500	[145,000]	7.50	[0.75]	7.50	[0.75]	05/03/05
	15,000	[150,000]	7.50	[0.75]	7.50	[0.75]	05/05/05
All other employees or past employees of the Company	44,750	[447,500]	2.00	[0.20]	2.00	[0.20]	06/19/10
	8,000	[80,000]	2.00	[0.20]	2.00	[0.20]	08/27/10
	46,575	[465,750]	2.20	[0.22]	2.20	[0.22]	11/20/08
	2,500	[25,000]	3.90	[0.39]	3.90	[0.39]	08/19/04
	3,250	[32,500]	7.50	[0.75]	7.50	[0.75]	05/03/05
Total Options	401,492	[4,014,915]					

PRIOR SALES OF COMMON SHARES

Since January 1, 2003, we have issued 1,402,100 [14,021,000] common shares in connection with a private placement to Teva. On September 10, 2003, Teva purchased 1,402,100 [14,021,000] units issued by us at a price of $2.00 [$0.20] per unit. The unit price was based on the closing price of our common shares on the TSX on August 21, 2003. Each unit consists of one of our common shares and one common share purchase warrant at an exercise price of $2.00 [$0.20]. The warrants expire on September 10, 2008. Pursuant to the terms of the subscription agreement, Teva has the option to acquire 6.4% of the Units issued pursuant to this offering to enable it to maintain its percentage ownership in us (currently 6.4% on a fully-diluted basis, not including the exercise of outstanding options). See ''Interest of Management and Others in Material Transactions''.

CONSOLIDATED CAPITALIZATION

The following table and notes set out our consolidated capitalization as at December 31, 2003 (actual) and March 31, 2004 (actual and as adjusted to reflect the issuance of the Units pursuant to the offering). The table should be read in conjunction with our audited annual financial statements for the years ended December 31, 2003 and 2002, including the accompanying notes, which are located elsewhere in this prospectus.

	As at December 31, 2003 (thousands of dollars, audited)	As at March 31, 2004 (thousands of dollars, unaudited)	As at March 31, 2004 after giving effect to the Offering[1][2] (thousands of dollars, unaudited)
DEBT			
Bridge financing loans[3]	1,500	●	●
Convertible debentures (including current portion thereof)	4,000	●	●
	5,500	●	●
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Shares and warrants[4]	72,488	●	●
Common shares: authorized — unlimited; issued and outstanding: 29,186,462 [291,864,627] — December 31, 2003 and 29,186,462 [291,864,627] — March 31, 2004			
Warrants: issued and outstanding: 11,447,113 [114,471,128]			
Contributed Surplus	28	—	●
Deficit	(77,000)	(●)	(●)
Total Shareholders' Equity (Deficiency)	(4,484)	●	●
Total Capitalization	1,016	●	●

Notes:

(1) After giving effect to the issuance of ● common shares and ● Warrants pursuant to the offering.

(2) Excludes:

- 445,792 [4,457,915] common shares issuable upon the exercise of outstanding options under our stock option plans as of March 31, 2004;
- ● common shares issuable upon the exercise of the Over-Allotment Option; and
- ● common shares issuable upon the exercise of the Warrants issued pursuant to the offering; common shares issuable upon the exercise of the Warrants issued pursuant to the exercise of the Over-Allotment Option; and common shares issuable upon the exercise of the Warrants issued pursuant to the exercise of the Broker Warrants.

(3) Subsequent to year end, we received an additional $3,400,000 from Mr. Leslie Dan and an entity affiliated with him. See ''Management's Discussion and Analysis'' and ''Interest of Management and Others in Material Transactions''.

(4) As at March 31, 2004 we have granted 445,792 [4,457,915] options under the 2001 Plan and the 1996 Plan to employees at a weighted average price of $3.11 [$0.31].

ESCROWED SECURITIES

The following table sets out the number of securities of each class of our securities held, to our knowledge, in escrow and the percentage that number represents of the outstanding securities of that class, as at March 31, 2004:

Designation of class	Number of securities held in escrow	Percentage of class
Common shares	25,000 [250,000]	0.09%

These securities were issued to an arm's length management company and have been deposited with Montreal Trust Company of Canada (now Computershare Trust Company of Canada) (the ''Escrow Agent'') under an escrow agreement (the ''Escrow Agreement'') dated August 17, 1992. The Escrow Agreement provides, amongst other things, that these securities are held in escrow subject to petition for release by the Vancouver Stock Exchange (now the TSX Venture Exchange).

PRINCIPAL SHAREHOLDERS

The following table shows the name and information about our securities owned by each person or company who, as at April 12, 2004, owned of record, or who, to our knowledge, owned beneficially, directly or indirectly, more than 10% of any class or series of our voting securities:

	Number of Securities of any Class of the Company Owned Before (and to be Owned After) the Offering[1][2][3]						
	Number of Common Shares Owned		Number of Warrants Owned				
Name	Post-Consolidation	Pre-Consolidation	Post-Consolidation	Pre-Consolidation	Direct and Type of Ownership	Percentage of Warrants Owned Before (and to be Owned After) the Offering	Percentage of Common Shares Owned Before (and to be Owned After) the Offering[2][4]
Leslie Dan	16,416,924(●)	[164,169,239](●)	5,995,972(●)	[59,959,724](●)	direct and beneficial	52.4%(●)	56.2%(●)
Andrea Dan-Hytman	7,758,737(●)	[77,587,371](●)	4,049,040(●)	[40,490,404](●)	beneficial	35.4%(●)	26.6%(●)
Total	24,175,661(●)	[241,756,610](●)	10,045,013(●)	[100,450,128](●)		87.8%(●)	82.8%(●)

Notes:

(1) In addition to the common shares identified in this chart, Mr. Leslie Dan beneficially owns, directly or indirectly, 6,000 [60,000] options to purchase our common shares.

(2) It is a condition of the offering that the Dan Group purchase 40% of the Units offered pursuant to the offering, up to a maximum of $14,000,000 (the ''Dan Subscription''). The percentage of common shares owned after the distribution in the chart above assumes the purchase of the maximum of $14 million of Units pursuant to the Dan Subscription. See ''Plan of Distribution'' and ''Interest of Management and Others in Material Transactions''.

(3) It is our intention to repay the $4,000,000 principal amount in convertible debentures owned by the Dan Group, of which $2,000,000 principal amount are owned by an entity affiliated with Ms. Andrea Dan-Hytman, and $2,000,000 principal amount are owned by Mr. Leslie Dan, with the proceeds of this offering. These convertible debentures grant the holders the option to convert the principal amount into units. See ''Use of Proceeds'' and ''Interest of Management and Others in Material Transactions''.

(4) On a fully-diluted basis (not including the exercise of outstanding options) Leslie Dan owns 54.8% (●), Andrea Dan-Hytman owns 30.5% (●) and together they own 85.3% (●) common shares.

PRICE RANGE AND TRADING VOLUME OF OUR SHARES

Our common shares are listed on the TSX under the symbol ''VBI''. The following table sets forth the high and low sales prices per share and trading volumes for our common shares on the TSX for the periods indicated.

Toronto Stock Exchange

Calendar Period	Price Per Share		Share Trading Volume	
	High	Low	Post-Consolidation	Pre-Consolidation
	($)	($)	(#)	(#)
2002				
First quarter	0.25	0.18	75,639	[756,390]
Second quarter	0.40	0.21	153,742	[1,537,420]
Third quarter	0.28	0.135	53,460	[534,601]
Fourth quarter	0.195	0.12	86,745	[867,445]
2003				
First quarter	0.25	0.14	61,373	[613,728]
Second quarter	0.25	0.15	120,633	[1,206,326]
Third quarter	0.40	0.175	132,773	[1,327,730]
October	0.285	0.21	33,635	[336,349]
November	0.24	0.175	49,361	[493,613]
December	0.22	0.16	42,827	[428,273]
2004				
January	0.23	0.19	51,280	[512,797]
February	0.25	0.20	39,390	[393,896]
March	0.50	0.205	394,768	[3,947,676]
April (1-12)	0.40	0.26	125,847	[1,258,469]

DIRECTORS AND OFFICERS

The following table sets out, for each of our directors and executive officers, the person's name, municipality of residence, positions with us, principal occupation and, if a director, the date on which the person became a director. The term of office for each of the directors will expire at the time of our next annual meeting of shareholders.

Name and Municipality of Residence	Major Positions with the Company	Occupation, Business or Employment	Director Since
MARTIN BARKIN[(1)(2)(3)] ..... Toronto, Ontario	Director	President and Chief Executive Officer, Draxis Health Inc.	June 1996
JOHN J. BORER, III[(2)(4)] ..... South Orange New Jersey, U.S.A.	Director	President, Senior Managing Director, Rodman & Renshaw LLC	June 2000
MICHAEL BYRNE ..... Mississauga, Ontario	Chief Financial Officer and Corporate Secretary	—	—
MICHAEL CROSS ..... Morriston, Ontario	Chief Operating Officer	—	—
LESLIE L. DAN[(1)] ..... Toronto, Ontario	Chairman of the Board of Directors	Chairman of Novopharm Limited	July 1995
NICK GLOVER ..... Oakville, Ontario	President and Chief Executive Officer	—	—
GLEN MACDONALD ..... Winnipeg, Manitoba	Vice President, Research	—	—
MURRAY S. PALAY[(2)(4)] ..... Winnipeg, Manitoba	Director	President, Prelude Financial Services Inc. and Managing Director, Assante Asset Management Ltd.	August 1997
LOUIS SIMINOVITCH ..... Toronto, Ontario	Director	Scientist; Professor Emeritus at University of Toronto; Director Emeritus of the Samuel Lunenfeld Research Institute	March 2000
MARK WAINBERG[(3)] ..... Montreal, Quebec	Director	Microbiologist; Professor and Director at McGill University in Montreal; Director of Research at Jewish General Hospital in Montreal	August 1997

Notes:

(1) Current member of the Executive Committee.

(2) Current member of the Audit Committee.

(3) Current member of the Compensation Committee.

(4) Current member of the Corporate Governance Committee.

As a group, our directors and executive officers beneficially own, directly or indirectly, or exercise control over 16,428,924 [164,289,239] common shares representing, before giving effect to this offering, 56.3% of our common shares. Additionally, as a group our directors and executive officers beneficially own, directly or indirectly, or exercise control, before giving effect to this offering, over 296,017 [2,960,165] options to purchase all common shares and 5,995,972 [59,959,724] common share purchase warrants, with each warrant representing a right to purchase one of our common shares. Mr. Leslie Dan also owns a convertible debenture in the principal amount of $2,000,000, which is convertible at the option of the holder into 769,231 [7,692,307] units, with each unit comprised of one of our common shares and one common share purchase warrant. See ''Options to Purchase Securities'', ''Principal Shareholders'', ''Use of Proceeds'', and ''Interest of Management and Others in Material Transactions''.

Except as disclosed below, each of our directors and officers has been engaged for more than five years in his present principal occupation or in other capacities with the company or organization (or predecessor thereof) in which he currently holds his principal occupation. The information provided below has been provided to us by the individuals themselves and has not been independently verified by us.

Background of Directors

Martin Barkin, MD, FRCSC, MA. Dr. Martin Barkin has been President and Chief Executive Officer and a Director of Draxis Health Inc. (''Draxis''), a pharmaceutical company, since May 19, 1992. He has been a practicing physician, Professor and Chief of Urologic Surgery, and Chief Executive Officer of Sunnybrook Health Sciences Centre. He has also been Deputy Minister of Health for the Province of Ontario, Head of Health Care Consulting for KPMG Canada, Chair of the board of directors of the Sunnybrook and Women's College Health Sciences Centre, and a member of the board of directors of Bone Care International, Inc.

John J. Borer, III, BA, JD. Mr. John Borer is President and Senior Managing Director of Rodman & Renshaw LLC (''Rodman & Renshaw''), an investment bank. Prior to his positions with Rodman & Renshaw, Mr. Borer was Senior Vice President and Investment Manager in the New Business Development office of Security Pacific Business Credit Inc.

Leslie L. Dan, CM, B.Sc.Phm., MBA. Mr. Leslie Dan is the Chair of the board of directors and founder of Novopharm Limited which is now a wholly-owned subsidiary of Teva Pharmaceuticals. Mr. Dan sits on the Board of Governors of Doctors' Hospital and Mount Sinai Hospital. Mr. Dan is a director of Teva Pharmaceutical and the Chair of the board of directors of Human Serum Production and Medicine Manufacturing Co. Ltd. in Hungary.

Murray S. Palay, B. Comm., LL.B., T.E.P. Mr. Murray Palay is the President, Prelude Financial Services, and has been Managing Director, Assante Asset Management Ltd., an investment management firm, since July, 2000. Mr. Palay's previous role from 1993 to June 2000, was Vice President, Corporate Finance, coordinating the Wealth Planning Group for Loring Ward Investment Counsel Ltd. (now Assante Asset Management Ltd.) in providing business consulting, succession, estate planning and international tax and estate planning. He currently sits on the boards of directors of public and private companies, including CCI Entertainment Ltd., Optima Strategy Master Limited Partnership, and Sun Mortgage Corporation.

Louis Siminovitch, B.Sc., Ph.D., D.Sc. Dr. Louis Siminovitch has been University Professor Emeritus at the University of Toronto since 1985. Since 1994, Dr. Siminovitch has also been Director Emeritus of the Samuel Lunenfeld Research Institute, an organization that he has been involved in since its creation in 1983. Dr. Siminovitch is an advisor and genomics consultant to numerous cancer centres and research institutes in Canada and the United States as well as to the Province of Ontario. He was made both an Officer, in 1980, and Companion, in 1989, of the Order of Canada. In 1999, Dr. Siminovitch was elected as a Foreign Member of the National Academy of Sciences of the United States.

Mark Wainberg, B.Sc., Ph.D. Dr. Mark Wainberg has served as Professor and Director of the McGill University AIDS Centre since 1989. He has been Director of Research at the Jewish General Hospital Montreal since 2000, as well as Professor of Medicine and of Microbiology and Immunology at McGill University in Montreal, Canada, since 1987. Dr. Wainberg is a past-President of the International AIDS Society and is an internationally recognized scientist in the field of HIV/AIDS.

Background of Officers

Michael A. Byrne, BA, CGA. Mr. Michael Byrne has been our Chief Financial Officer and Corporate Secretary since January 10, 2000. Mr. Byrne has over twenty years of senior management and executive experience in the biotechnology and pharmaceutical industries. Prior to joining us, Mr. Byrne was the Vice President, Finance and Chief Financial Officer of Hyal Pharmaceutical Corporation.

Michael Cross, Ph.D. Dr. Michael Cross has been our Chief Operating Officer since February 9, 2004. Prior to joining us, he was President and Managing Director of Southpaw B.I., a large cGMP contract manufacturing organization, from January 2003 to January 2004. Prior to this, Dr. Cross was with MDS Proteomics Inc. from January 2000 to January 2003, most recently as Vice President, where he was responsible for various financial, operational, and business development activities. From May 1996 until January 2000, he was a partner with MDS Capital Corp., an international venture capital fund which invests in the health and sciences industries, where he was responsible for new investment and merger and acquisition activities.

Nick Glover, Ph.D. Dr. Nick Glover is our President and Chief Executive Officer. Prior to his appointment as President and Chief Executive Officer in January 2004, Dr. Glover served as our Vice President, Corporate Development and Product Operations since September 2001. Dr. Glover joined us in September 2000 and has had responsibility for all aspects of our business development, including financing, corporate partnering, and strategic orientation. Prior to joining us, Dr. Glover was with MDS Capital Corp. as an Investment Manager, where his responsibilities included sourcing, negotiating, and completing venture capital investments in the biotechnology sector.

Glen MacDonald, Ph.D. Dr. Glen MacDonald joined us in July 1997 and has been our Vice President, Research since January 2004. Dr. MacDonald was a Senior Scientist from 1997 until December 2002 and our Director of Research from January 2003 until December 2003. Prior to joining us, Dr. MacDonald held a Manitoba Cancer Treatment Research Foundation Fellowship and served as a Post-Doctoral Fellow at the University of Manitoba Cancer Treatment Research Foundation. Dr. MacDonald holds a Ph.D. in the field of immunology from the University of Manitoba. To date, Dr. MacDonald has published 16 peer-reviewed papers and 14 abstracts in the areas of monoclonal antibodies, graft-versus-host disease, lupus, and apoptosis.

Committees of the Board of Directors

Our board of directors has an audit committee, compensation committee, corporate governance committee and an executive committee.

Audit Committee

The Audit Committee is currently composed of three directors (Messrs. Barkin, Borer and Palay), all of whom are unrelated directors. The committee is responsible for reviewing our financial reporting procedures, internal controls and the performance of the our external auditors. The committee is also responsible for reviewing quarterly financial statements and the annual financial statements prior to their approval by the full board of directors.

Compensation Committee

The Compensation Committee of the board of directors is currently composed of two directors (Messrs. Barkin and Wainberg), both of whom are unrelated directors. The committee is responsible for developing and making recommendations to the full board of directors with respect to our policies regarding the compensation of our employees and directors (including through our stock option plans).

Corporate Governance Committee

The Corporate Governance Committee is currently composed of two directors (Messrs. Borer and Palay) both of whom are unrelated directors. The committee is responsible for reviewing and making recommendations with respect to our corporate governance policies.

Executive Committee

The Executive Committee is currently composed of two directors (Messrs. Barkin and Dan). During the intervals between meetings of the board of directors, the Executive Committee exercises all the powers of the board of directors in respect of the management and direction of our business and affairs, except for those powers specified in the articles or by statute to be exercised by the full board of directors.

Conflicts of Interest

Mr. Dan, the Chair of our board of directors, is not an employee of the Company but is one of our significant shareholders. See ''Principal Shareholders''.

Dr. Barkin is the Chief Executive Officer of Draxis. Although Draxis may, in certain circumstances, be in a competitive position with us, Dr. Barkin is not advised of matters in which Draxis would be competitive with us and he absents himself from discussions that deal with any such matters.

Mr. Borer is the President and Senior Managing Director of Rodman & Renshaw. In December 1999, we engaged Rodman & Renshaw as our non-exclusive financial advisor. Among other terms, for these advisory services we have paid Rodman & Renshaw a non-refundable retention fee of US$5,000. In addition, Rodman & Renshaw receives a fee from us upon the successful sale of our securities to a party with whom Rodman & Renshaw has had contacts or discussions. No fees have been paid to Rodman & Renshaw as a result of this arrangement since January 2000.

EXECUTIVE COMPENSATION

Remuneration of Executive Officers

The following table sets out all compensation earned during each of the last three fiscal years by our Chief Executive Officer, our former Chief Executive Officer and our other most highly compensated executive officer who served as an executive officer at the end of the fiscal year ended December 31, 2003 (collectively, the ''Named Executive Officers'').

Summary Compensation Table

					Long Term Compensation			
					Awards			
		Annual Compensation			Securities Under Options/SARs Granted		Payouts	
Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation	Post-Consolidation	Pre-Consolidation	LTIP Payouts	All Other Compensation
		($)	($)	($)	(#)	(#)	($)	($)
Nick Glover	2003	190,000	50,160	—	5,000	[50,000]	—	—
President and	2002	167,200	47,340	—	—	—	—	—
Chief Executive Officer[1]	2001	125,161	5,670	—	20,000	[200,000]	—	—
Anthony Schincariol	2003	275,000	75,000	—	20,000	[200,000]	—	—
President and	2002	225,000	67,500	—	—	—	—	—
Chief Executive Officer[2]	2001	225,000	60,000	—	80,000	[800,000]	—	—
Michael Byrne	2003	165,000	46,260	—	5,000	[50,000]	—	—
Chief Financial Officer and	2002	154,200	45,840	—	—	—	—	—
Corporate Secretary	2001	144,870	28,014	—	20,000	[200,000]	—	—

Notes:

(1) Nick Glover was appointed President and Chief Executive Officer on January 7, 2004. His salary for 2002 and 2003 reflects compensation for his role as Vice President, Corporate Development during that time, and his salary for 2001 reflects compensation for his role as Vice President and also as Director, Corporate Development, a position which he held until November 2001.

(2) Anthony Schincariol resigned as President and Chief Executive Officer of the Company on January 7, 2004. See ''— Employment Contracts''.

Stock Option Incentive Compensation

The following table sets out details of stock options granted to the Named Executive Officers during the year ended December 31, 2003 pursuant to the 2001 Plan. See ''Options to Purchase Securities — Equity Compensation Plans''.

Option/SAR Grants During the Most Recently Completed Financial Year

	Securities Under Options/SARs Granted		% of Total Options Granted to Employees in Financial Year	Exercise or Base Price		Market Value of Securities Underlying Options on the Date of the Grant		
Name	Post-Consolidation	Pre-Consolidation		Post-Consolidation	Pre-Consolidation	Post-Consolidation	Pre-Consolidation	Expiration Date
	(#)	(#)	(%)	($/Security)	($/Security)	($/Security)	($/Security)	
Nick Glover	5,000	[50,000]	4.3	2.00	0.20	2.00	0.20	06/19/10
Anthony Schincariol	20,000	[200,000]	17.5	2.00	0.20	2.00	0.20	06/19/10
Michael Byrne	5,000	[50,000]	4.3	2.00	0.20	2.00	0.20	06/19/10

The exercise price of these options is the closing price of our common shares on the TSX on the day immediately preceding their issuance. See ''Options to Purchase Securities — Equity Compensation Plans''.

Aggregated Option/SAR Exercises During the Most Recently Completed Financial Year and Financial Year-End Option/SAR Values

The following table sets out details of stock options exercised by the Named Executive Officers during the year ended December 31, 2003.

Name	Securities Acquired on Exercise	Aggregate Value Realized	Unexercised Options/SARs at FY - End Exercisable/Unexercisable		Value of Unexercised in-the-Money Options/SARs at FY - End ($) Exercisable/Unexercisable
			Post-Consolidation	Pre-Consolidation	
	(#)	($)	(#)	(#)	($)/($)
Nick Glover	0	0	19,167 / 10,833	[191,667] / [108,334]	0/0
Anthony Schincariol	0	0	89,333 / 80,667	[893,333] / [806,667]	0/0
Michael Byrne	0	0	24,167 / 10,833	[241,666] / [108,334]	0/0

Indebtedness

None of our employees, officers or directors had any indebtedness to us as at March 31, 2004 or at any time during 2003.

Employment Contracts

In September 2000, Dr. Glover entered into an agreement of employment with us. As a result of his appointment as President and Chief Executive Officer on January 7, 2004, we are currently negotiating an employment agreement with him. We expect that Dr. Glover's agreement will provide for the payment of a salary of $275,000 per year plus a payment of a bonus and the grant of stock options at the discretion of our board. If Dr. Glover's employment is terminated, other than with cause, we expect he will receive certain payments from us in respect of such termination. The employment agreement is expected to contain industry standard confidentiality, non-solicitation and non-competition covenants.

Mr. Michael Byrne has entered into a standard letter of employment with us that does not contain any termination or expiration provisions. The letter provides for the payment of salary and a bonus to be paid at the discretion of the board of directors. In addition, from time to time the board grants Mr. Byrne options to acquire our common shares in its discretion.

Dr. Anthony Schincariol resigned from his position as President and Chief Executive Officer on January 7, 2004. As part of Dr. Schincariol's resignation agreement, he will receive $412,500, less any amounts he receives in respect of any employment or other business income he earns in the period from January 7, 2005 to July 6, 2005, plus $80,000 and certain other benefits.

Compensation of Directors

Outside directors (*i.e.*, directors who are not associated or affiliated with the Dan Group and are not officers of the Company) are paid an annual fee of $15,000 and a fee of $500 per meeting by telephone and $1,000 per meeting attended in person. The Chair is paid an annual fee of $50,000. Committee chairs are paid $1,500 per meeting. Directors are entitled to receive stock option grants pursuant to the 2001 Plan and are entitled to be reimbursed for expenses incurred to attend meetings. During the fiscal year ended December 31, 2003, there were 9,000 [90,000] stock options granted to directors. See ''Options to Purchase Securities — Equity Compensation Plans''.

COMMON SHARE REORGANIZATION

On March 9, 2004, we announced a special meeting of shareholders, scheduled to occur on May 7, 2004. At the special meeting, our shareholders will be asked to consider, and if thought fit, to approve a special resolution of the shareholders authorizing the consolidation of our issued and outstanding common shares on a ten (10) old for one (1) new common share basis. **It is a condition of the offering that our shareholders approve the share consolidation.**

If the special resolution is passed by at least two-thirds of the votes cast at that meeting, then we will, immediately prior to closing of the offering, file articles of amendment to consolidate each of our issued and outstanding ten (old) common shares for one (new) common share. Options, warrants and other exchangeable securities will be consolidated in accordance with the terms of the respective securities at the same ratio of ten (10) old to one (1) new common shares. **Other than in the accompanying audited annual financial statements or as otherwise indicated, all references in this prospectus to the number of our outstanding shares, any disclosure that is dependant on the**

number of our outstanding shares, or references to the number of securities held by any of our shareholders, presents first information that assumes the consolidation of our common shares on a ten (10) old to one (1) new common share basis, followed by information contained in square brackets that does not assume such consolidation.

Pursuant to rules and policy statements of the Ontario Securities Commission and the Autorité des marchés financiers (the ''Related Party Rules''), the Dan Group is a ''related party'' to us. The Related Party Rules generally require that transactions with a related party require both a formal valuation of the Company (the ''Valuation Requirement'') and the approval of a majority of the shareholders who are not ''related parties'' (''Majority of the Minority Approval Requirement''). We are relying on an exemption from the Valuation Requirement and Majority of the Minority Approval Requirement provided in the Related Party Rules.

For a description of our share capital after completion of the reorganization, see ''Description of Share Capital''.

PLAN OF DISTRIBUTION

Pursuant to an agency agreement (the ''Agency Agreement'') dated ● , 2004 between the Agents and ourselves, the Agents have agreed to offer up to ● Units for sale, as our agents, on a best efforts basis, if, as and when issued by us, at a price of $ ● per Unit for total consideration of up to $ ● payable in cash to us against delivery, upon the terms and subject to the conditions contained therein. The offering price of the Units was determined by negotiation between the Agents and ourselves. Each Unit consists of one common share and one-half of one Warrant. Each whole Warrant entitles the holder thereof to acquire, subject to adjustment in certain circumstances, one of our common shares at a price of $ ● per common share at any time prior to the close of business on the date that is 24 months from the Closing Date, after which time the Warrant will be null and void. This prospectus qualifies the distribution of the common shares and Warrants to be issued pursuant to the offering.

We have granted the Agents an option (the ''Over-Allotment Option'') to offer additional Units up to an aggregate of 15% of the Units issued pursuant to the offering for a period of 60 days from the date of closing of the offering. The Agents may exercise the Over-Allotment Option only to cover over-allotments. To the extent that the Over-Allotment Option is exercised, the additional Units will be offered for sale by the Agents at the offering price under this prospectus. This prospectus qualifies the distribution of the common shares and Warrants comprising the Units issuable on exercise of the Over-Allotment Option.

The Agency Agreement provides that we will pay to the Agents a commission equal to 7% of the gross proceeds from the sale of the Units and in respect of Units sold pursuant to the exercise of the Over-Allotment Option. Notwithstanding the foregoing, the Agency Agreement provides that the commission payable by us to the Agents in respect of any purchase of the Units by any of the Dan Group shall be equal to 3.5% of the proceeds on the first $10,000,000 invested by them, and no commission will be payable in respect of any amounts invested by the Dan Group in excess of $10,000,000. It is a condition of closing of the offering that the Dan Group purchase the Dan Subscription. The Dan Subscription is also subject to regulatory approval. For a description of the Dan Subscription, see ''Principal Shareholders'' and ''Interest of Management and Others in Material Transactions''. Assuming the maximum offering is sold, the full amount of the Dan Subscription is purchased and the Over-Allotment Option is exercised in full, the aggregate fee payable by us to the Agents would be $ ● . We will reimburse the Agents for reasonable out-of-pocket expenses incurred by them. The Agents may form a sub-agency group, including other qualified investment dealers, and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their best efforts to sell the Units, the Agents will not be obliged to purchase any Units.

In addition, we will grant to the Agents, for no additional consideration, non-assignable broker warrants (the ''Broker Warrants'') entitling the holders thereof to purchase a number of common shares equal to 7% of the number of common shares underlying the Units issued pursuant to the offering, including pursuant to the exercise of the Over-Allotment Option. Notwithstanding the foregoing, no Broker Warrants will be issuable in respect of any purchase of Units by any of the Dan Group. The Broker Warrants will expire on or prior to the close of business on the date that is 24 months from the Closing Date. The exercise price of the Broker Warrants will be equal to the issue price of the Units. If the Over-Allotment Option is exercised, Broker Warrants to purchase common shares representing 7% of the underlying common shares issued pursuant to the exercise of the Over-Allotment Option will be granted to the Agents at the closing of the exercise of the Over-Allotment Option. This prospectus also qualifies the distribution of the Broker Warrants.

Pursuant to a subscription agreement dated September 5, 2003, Teva has the right (the ''Teva Option'') to purchase up to an aggregate of 6.4% of the Units issued pursuant to the offering in order to maintain its ownership level in us on a fully-diluted basis. Teva's current ownership level in us on a fully-diluted basis (not including the exercise of outstanding options) is 6.4%. See ''Interest of Management and Others in Material Transactions''.

The Agency Agreement provides that we will indemnify the Agents, their affiliates and their respective directors, officers, employees and agents against certain liabilities. The obligations of the agents under the Agency Agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events, including an adverse material change in respect of us.

We have agreed with the Agents that during the period ending 90 days after the Closing Date we will not, without first obtaining the written consent of the Agents, such consent not to be unreasonably withheld, directly or indirectly, issue, sell, grant an option in respect of, or otherwise dispose of, or agree to or announce any intention to issue, sell, grant an option in respect of, or otherwise dispose of, any of our securities, other than: (i) upon the exercise of currently outstanding share purchase warrants, debentures or options; (ii) under our existing employee stock option plan; (iii) upon the exercise of Warrants related to this offering; or (iv) at arm's length in conjunction with a corporate alliance or an acquisition (including an acquisition of any assets).

The Units and the common shares and Warrants comprising the Units have not been and will not be registered under the United States Securities Act of 1933, as amended (the ''U.S. Securities Act'') or any state securities laws; accordingly, the Units and the common shares and Warrants comprising the Units may not be offered or sold in the United States except pursuant to the Agency Agreement in transactions exempt from the U.S. Securities Act and applicable state securities laws. Each Agent has agreed that, except as permitted by the Agency Agreement, it will not offer or sell the Units or the common shares and Warrants comprising the Units within the United States. Moreover, the Agency Agreement provides that the Agents will offer and sell the Units and the common shares and Warrants comprising the Units outside the United States only in accordance with Regulation S under the U.S. Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Units or the common shares or Warrants comprising the Units within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act.

It is a condition of the closing of the offering that the common shares and Warrants distributed under this prospectus be listed on the TSX, including the common shares issuable pursuant to the exercise of the Warrants and the Broker Warrants.

Pursuant to policy statements of certain Canadian securities regulatory authorities, the Agents may not, throughout the period of distribution under this prospectus, bid for or purchase our common shares. This 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 price of, such securities. These exceptions include a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution.

Lock-up agreements

The Dan Group has entered into lock-up agreements with the Agents whereby they have agreed not to sell common shares and/or securities convertible or exchangeable into common shares owned or controlled by the Dan Group for a period of 90 days following the Closing Date without the prior written consent of the Agents, not to be unreasonably withheld.

RISK FACTORS

An investment in the Units involves a high degree of risk and should be considered speculative. You should carefully consider the risks and uncertainties described below, as well as other information contained in this prospectus, including our audited annual financial statements and accompanying notes, before buying Units. The risks and uncertainties below are not the only ones we face. Additional risks and uncertainties not presently know to us or that we believe to be immaterial may also adversely affect our business. If any of the following risks occur, our business, financial condition and results of operations could be seriously harmed and you could lose all or part of your investment. Further, if we fail to meet the expectations of the public market in any given period, the market price of our common shares could decline.

Risks Related to Our Financial Condition

There is a going concern note in our financial statements. We must raise money from investors to fund our operations. If we are unable to fund our operations, we will cease doing business.

There is a ''going concern'' note in our financial statements. This note indicates that there is substantial doubt that we can continue as an ongoing business. At December 31, 2003, we had cash reserves, consisting of cash and short term investments, of approximately $298,000 and a negative net working capital of approximately $6,562,000.

Without additional funding, we will have inadequate funds to continue our existing corporate, administrative, and operational functions for the remainder of the year. We also have commitments under our license agreements to make certain milestone payments. See ''Management's Discussion and Analysis''. We intend to continue to seek additional sources of funding to finance operations into the future, through public or private equity or debt financings, collaborative arrangements with pharmaceutical companies and/or from other sources. We cannot assure you that additional financing will be available or, even if it is available, that it will be available on terms acceptable to us. Any future financing may have a dilutive effect on the holdings of shareholders.

If adequate funds are not available, we may be required to reduce the scope of, or eliminate one or more of our research and development programs, significantly scale back or even cease operations, sell or license some of our technologies under terms that are less favourable than they otherwise might have been if we were in a better financial position, or consider merging with another company or positioning ourselves to be acquired by another company. If it became necessary to take one or more of these actions, this will have an adverse effect on our stock price and you may lose your entire investment.

We have a history of operating losses and we expect to incur future losses. If we are unable to achieve significant revenues in the future, we will cease doing business.

Since our inception, we have incurred significant losses each year. We expect to incur significant operating losses as we continue our product candidate research and development and continue our clinical trials. We will need to generate significant revenues in order to achieve and maintain profitability. Our ability to generate revenue in the future is dependent, in large part, on completing product development, obtaining regulatory approvals, and commercializing, or entering into agreements with third parties to commercialize, our product candidates. We cannot assure you that we will ever successfully commercialize or achieve revenues from sales of our therapeutic products if they are successfully developed or that we will ever achieve or maintain profitability. Even if we do achieve profitability, we may not be able to sustain or increase profitability.

Until we receive regulatory approval for sales of products incorporating our licensed and/or patented technologies, we cannot sell our products and will not have revenues from sales. The research, development, production, and marketing of new products requires the application of considerable technical and financial resources. However, any revenues generated from such products, assuming they are successfully developed, marketed and sold, may not be realized for a number of years.

Since January 2000, Mr. Leslie Dan and entities affiliated with him have financed substantially all of our operations. If he ceases to provide additional financing and we are unable to raise money from third parties, we will cease doing business.

Since January 1, 2000, we have financed substantially all of our operations through the sale of equity securities and the issuance of secured convertible debentures to the Dan Group, through an approximately $2,804,000 equity financing made by Teva in September 2003 and, in the last two fiscal years, through bridge financing from our principal

shareholder, Mr. Dan or entities controlled by him. Mr. Dan is on the board of directors of Teva Pharmaceutical. See ''Principal Shareholders'' and ''Interest of Management and Others in Material Transactions''. Assuming the maximum offering, the purchase by the Dan Group of the Dan Subscription, and the conversion of the convertible debentures into units, on completion of the offering, the Dan Group will own or control ● % of our outstanding common shares on a fully-diluted basis (not including the exercise of the outstanding options), or ● % on a fully-diluted basis (not including the exercise of the outstanding options) if the Over-Allotment is exercised in full.

We are also using ● % of the proceeds of the offering to repay convertible debentures held by Mr. Dan and Ms. Dan-Hytman and to repay bridge financing loans owing to Mr. Dan or entities affiliated with him. These convertible debentures grant the holders the option to convert the principal amount into units. See ''Use of Proceeds''.

Risks Related to Our Business and Industry

We are in the early stages of product development. Our product candidates may not be effective at a level sufficient to support a profitable business venture. If they are not, we will be unable to create marketable products and we will have to cease operations.

Our product candidates are in the preliminary development stage, have not been approved for marketing by any regulatory authority, and cannot be commercially distributed in any markets until such approval is obtained. Although we have current data that indicate the promise of our monoclonal antibody therapies, we cannot assure you that these therapies will be effective at a level sufficient to support a profitable business venture. The science on which our technologies are based may also fail due to flaws or inaccuracies on which the data are based, or because the data are totally or partially incorrect, or not predictive of future results. The science upon which our business is based may prove to be totally or partially incorrect. Because our science may be flawed or incorrect, we may never be able to create a marketable product. If we are unable to do so, we will not generate revenues, we will have to cease operations and you will lose your entire investment.

In addition, it takes a significant period of time for a new therapeutic drug to be developed, to obtain the necessary regulatory approvals to permit its sale, to establish appropriate distribution channels and market acceptance, and to obtain insurer reimbursement approval. This time period is generally not less than 10 years. None of our therapeutic product candidates has been commercialized and completion of the commercialization process for any of our product candidates will require significant investments of time and funds. We cannot predict either the total amount of funds that will be required, or to assure you that we will be successful in obtaining the necessary funds. It is also not possible for us to predict the time required to complete the regulatory process, or if there will be sufficient market demand at such time. If any of our products are approved, we cannot assure you that it will be possible to produce them in commercial quantities at reasonable cost, successfully market them, or whether any investment made by us in the commercialization of any products would be recovered through sales, license fees or related royalties. Furthermore, the time it takes for products to reach market acceptance exposes us to significant additional risks, including the development of competing products, loss of investor interest, changing market needs, changes in personnel, and regulatory changes. We anticipate that we will remain engaged in research and development for a significant period of time.

We rely on, and intend in the future to continue to rely on, licenses from third parties and any breach or termination of these license arrangements could have a material adverse effect on our business, financial condition and results of operations.

We currently hold key licenses from third parties for certain technologies, including the University of Zurich (Proxinium™), McGill University (Hybridomics™), Columbia University (Hybridomics™), and Tanox and Biovation (cytotoxic proteins). We are also in the process of negotiating a license agreement in respect of the cytotoxic protein we engineer with the Proxinium™ antibody and another license agreement required for one form of the antibody of our Proxinium™ product candidate. As of March 31, 2004, we had 18 patents and patent applications relating to VB6-011. See ''Our Business — Intellectual Property''. We cannot assure you that we will obtain any additional required licenses, that our existing licenses or new licenses, if obtained, will not terminate or that they will be renewed. The failure to obtain, the termination of, or the failure to renew any of these licences would have a material adverse effect on our pre-clinical and clinical programs and may cause us to suspend or cease our operations. In addition, we cannot assure you that these licenses will remain in good standing or the technology we have licensed under these agreements has been adequately protected or is free from claims of infringement of the intellectual property rights of third parties.

Pursuant to the terms of the licenses noted above and our other license agreements and any agreements we may enter into in the future, we are and could be obligated to exercise diligence in bringing potential products to market and to make license payments and certain potential milestone payments that, in some instances, could be substantial. For example, we may be required to pay approximately $1,297,000 in license payments and potential milestone payments pursuant to existing agreements in 2004. If we fail to do so, these agreements may be terminated. See ''Management's Discussion and Analysis''. We are obligated and may in the future be obligated, to make royalty payments on the sales, if any, of products resulting from licensed technology and, in some instances, may be responsible for the costs of filing and prosecuting patent applications. Because we require additional funding, we may not be able to make payments under current or future license agreements, which may result in our breaching the terms of such license agreement. Any breach or termination of any license could have a material adverse effect on our business, financial condition and results of operations.

Much of our potential success and value lies on our ownership and use of intellectual property and as a result our failure to protect our intellectual property could negatively affect us.

Confidentiality

Since much of our technology is not patented or licensed but protected by the law of trade secrets, our ability to maintain the confidentiality of our technology is crucial to our ultimate possible commercial success. While we have adopted procedures designed to protect the confidentiality of our technology, we cannot assure you that such arrangements will be effective, that third parties will not gain access to our trade secrets or disclose the technology, or that we can meaningfully protect our rights to our trade secrets. Further, by seeking patent protection in various countries, it is inevitable that important technical information will become available to our competitors, through publication of such patent applications. If we are unable to maintain the confidentiality of our technology in appropriate circumstances, this could have a material adverse impact on our business, financial condition, and results of operations.

Our Patents

Our success depends in part on our ability to obtain patents, operate without having third parties circumvent our rights, operate without infringing the proprietary rights of third parties, and maintain trade secret protection. As of March 31, 2004, we had 18 patents and patent applications relating to VB6-011 in the United States, Canada, the European Union, and other countries, of which we have been granted five patents in the United States, Australia, New Zealand, and Singapore. The patent position of pharmaceutical and biotechnology companies is uncertain and involves complex legal and financial questions for which, in some cases, important legal principles are largely unresolved. Patent offices vary in their policies regarding the breadth of biopharmaceutical patent claims that they allow. In addition, the coverage claimed in a patent application can be significantly reduced during prosecution before a patent is issued. We may not be granted patents of meaningful scope based on the applications we have filed and those we intend to file. We cannot assure you that our pending patent applications will result in patents being granted, that we will develop additional proprietary products that are patentable, that patents that have already been granted to us will provide us with any competitive advantage or will not be challenged or invalidated by any third parties, or that patents of others will not have an adverse effect on our ability to do business. In addition, the laws of certain foreign countries do not protect intellectual property rights to the same extent as do the laws of Canada or the United States. We cannot assure you that others will not independently develop similar products or processes, duplicate any of our products or processes, or design around the products or processes we may patent.

Third Party Patents

Our commercial success also depends significantly on our ability to operate without infringing the patents and other proprietary rights of third parties. From time to time, companies may possess rights to technologies in the same areas of research and development as ours, may have patents similar to ours, and may notify us that we may require licenses from them in order to avoid infringing their rights in that technology or in order to enable us to commercialize our own technology. Patent applications are, in many cases, maintained in secrecy until patents are issued. Competitors or potential competitors may have filed applications for, or may have received patents and may obtain additional and proprietary rights to compounds or processes used by or competitive with ours. The publication of discoveries in the scientific or patent literature frequently occurs substantially later than the date on which the underlying discoveries were made and patent applications are filed. In the event of infringement or violation of another party's patent, we may be prevented from pursuing product development or commercialization. In addition, we may be required to obtain

licenses under patents or other proprietary rights of third parties. We cannot assure you that any licenses required under such patents or proprietary rights will be available on terms acceptable to us. If we do not obtain such licenses we could encounter delays in introducing one or more of our products to the market, while we attempt to design around third party patents, or we could find that the development, manufacturing or sale of products requiring such licenses could be foreclosed.

Patent Litigation

Patent litigation is becoming widespread in the biopharmaceutical industry and we cannot predict how this will affect our efforts to form strategic alliances, conduct clinical testing, or manufacture and market any of our product candidates that we may successfully develop. If challenged, our patents may not be held to be valid. We could also become involved in interference or impeachment proceedings in connection with one or more of our patents or patent applications to determine priority of invention. If we become involved in any litigation, interference, impeachment or other administrative proceedings, we will likely incur substantial expenses and the efforts of our technical and management personnel will be significantly diverted. We cannot assure you that we will have the financial or other resources necessary to enforce or defend a patent infringement or proprietary rights violation action. Moreover, if our products infringe patents, trademarks or proprietary rights of others, we could, in certain circumstances, become liable for substantial damages, which also could have a material adverse effect on our business, financial condition and results of operation. Where there is any sharing of patent rights either through co-ownership or different licensed ''fields of use'', one owner's actions could lead to the invalidity of the entire patent.

The development and manufacture, and any future commercialization, pricing and distribution of our products is subject to extensive government regulation in several jurisdictions and we cannot assure you that we will obtain or maintain all required regulatory approvals. Additionally, commercialization of our products will depend on the successful outcome of pre-clinical testing and clinical trials.

The development, manufacture, commercialization and pricing of biopharmaceutical products is generally subject to extensive regulation by national and local health regulatory authorities. In order to be marketed and sold in a jurisdiction, national and local health authorities generally require that a new drug pass through a number of testing stages including pre-clinical testing and clinical trials to demonstrate their safety and efficacy for humans. Each jurisdiction has its own set of requirements, and data that are acceptable in one jurisdiction may not be acceptable in another. See ''Biopharmaceutical Regulatory Matters''.

One of our product candidates is in Phase I clinical testing in Russia, we anticipate commencing another Phase I clinical trial in Brazil, and the remainder of our product candidates are in pre-clinical testing. Some biopharmaceutical products that pass through pre-clinical testing do not successfully complete Phase I clinical trials; some products complete Phase I clinical trials but do not successfully complete Phase II clinical trials. At this stage, it is impossible for us to establish whether completion of the clinical trials process and ultimate commercialization is feasible in respect of any of our product candidates. Our success will depend on the success of our currently ongoing clinical trial and subsequent clinical trials that have not yet begun. There are a number of difficulties and risks associated with clinical trials. The possibility exists that:

- a product candidate may cause harmful side effects;
- a product candidate may not exhibit the expected therapeutic results in humans;
- data generated in the course of these clinical trials may not be statistically significant or predictive of results that will be obtained from large-scale, advanced clinical trials, and in previous cases, when early, positive results are not repeated in later stage trials, biopharmaceutical companies have suffered significant setbacks ranging from delayed commercialization timelines to going out of business after the release of news of unsuccessful clinical trial results;
- patient recruitment may be slower than expected and patients may drop out of our clinical trials;
- due to the high costs of clinical trials, a delay in our trials, for any reason, will require us to spend additional funds to keep the product candidates moving through the regulatory process, and if we do not have or cannot raise the additional funds, then the testing of our product candidates could be cancelled; and
- we or any regulatory authority having jurisdiction may suspend the clinical trials of our product candidates.

In addition, the data generated from a clinical trial in one jurisdiction may not be admissible in another jurisdiction for the purposes of initiating a clinical trial in another jurisdiction. For example, we hope to use the results generated by our Phase I clinical trials for Proxinium™, for the treatment of head and neck cancer, in both Russia and Brazil for the purposes of initiating FDA-approved clinical trials. We cannot assure you that the FDA or any other national regulatory body will agree to accept the results of our Russian and Brazilian Phase I clinical trials and may require us to repeat these clinical trials. If we are obligated to repeat these clinical trials, we will have to seek additional funding or we may be required to suspend or cease operations.

Given the uncertainty, extensive time and financial expenditures involved in moving a drug through the regulatory and clinical trial process in Europe, Canada, the United States and elsewhere, we may never be able to successfully develop safe, commercially viable products. If we are unable to do so, we may have to cease operations.

Our insurance may not be sufficient and we may be exposed to lawsuits and other claims related to our product candidates in clinical studies and product liability which could increase our expenses, harm our reputation and keep us from growing our business.

The sale and use of human therapeutic products, including those products we are developing, involve an inherent risk of product liability claims and adverse publicity. Clinical studies include trials on humans. These studies create a risk of liability for side effects to participants resulting from an adverse reaction to the medications being tested or resulting from negligence or misconduct. While we currently maintain limited insurance related to our ongoing clinical trial, we cannot assure you that this insurance will continue to be available to us on commercially reasonable terms. Any claims might also exceed the amounts of such coverage. If we are unable to obtain such insurance at reasonable rates or otherwise protect ourselves against potential liability proceedings, we may be required to slow down any future development of products or may even be prevented from developing the products at all. Our obligation to pay indemnities or withdraw a product candidate from clinical trials following complaints could have a material adverse effect on our business, financial condition and results of operations. Claims against us, regardless of their merit or potential outcome, may also result in severe public relations problems that could seriously damage our reputation and viability.

In addition, certain drug retailers require minimum product liability insurance coverage as a condition of purchasing or accepting products for retail distribution. If any of our product candidates are successfully developed and approved for commercial sale, failure to satisfy such insurance requirements could impede our ability or that of any potential distributors of our products to achieve broad retail distribution of any such products, which would have a material adverse effect on our business, financial condition and results of operations.

We rely on clinical investigators and contract research organizations to conduct our clinical trials.

We depend, in part, on independent clinical investigators and contract research organizations to conduct our clinical trials. Contract research organizations also assist us in the collection and analysis of the data generated from these clinical trials. These investigators and contract research organizations are not our employees and we cannot control, other than by contract, the amount of resources, including time, that they devote to our product candidates and our clinical trials. If independent investigators fail to devote sufficient resources to our clinical trials, or if their performance is substandard, it will delay any possible approval and commercialization of our product candidates and could harm our chances of obtaining regulatory approval. Further, most national regulatory agencies require that we comply with standards, commonly referred to as ''good clinical practice'', for conducting, recording and reporting clinical trials to assure that data and reported results are credible and accurate and that the rights, integrity and confidentiality of trial subjects are protected. If our independent clinical investigators and contract research organizations fail to comply with good clinical practice, the results of our clinical trials could be called into question and the clinical development of our product candidates could be delayed or halted. Failure of clinical investigators and contract research organizations to meet their obligations to us or comply with good clinical practice procedures could adversely affect the clinical development of our product candidates, and have a material adverse effect on our business, financial condition and results of operations.

We may choose to depend on strategic partners as part of our product development strategy, and we would be negatively affected if we could not initiate those relationships.

If any of our product candidates complete Phase II clinical trials, we intend to either finance further clinical development ourselves, or enter into strategic partnerships whereby third parties will finance further clinical

development, such as Phase III clinical trials. We cannot assure you, however, that we will be able to find partners and establish such relationships on favourable terms, if at all, or that any such future arrangements will be successful.

Should any partner fail to develop or commercialize successfully any product candidates to which it has rights, our business, financial condition and results of operations may be adversely affected. Failure of any collaborative partner to continue funding any particular program, for any reason, could delay or halt the development or commercialization of any products arising out of such program. In addition, we cannot assure you that any of our future partners would not pursue alternative technologies or develop alternative product candidates either on their own or in collaboration with others, including our competitors, as a means for developing treatments for the diseases targeted by our programs.

Even if our product candidates receive all of the required regulatory approvals, we have no guarantee of market acceptance or commercialization of the resulting products, which will be determined by our sales, marketing and distribution capabilities and the positioning and competitiveness of our products, compared with any alternatives.

Even if our product candidates receive all necessary regulatory approvals and clearances, they may not gain market acceptance among physicians, patients, healthcare payors, and the medical community. The degree of market acceptance of any product that we may develop will depend on a number of factors, including marketing and distribution support for the products, establishment and demonstration of the cost-effectiveness of the products, and the potential advantage of our products over any alternatives.

We currently do not have any sales, marketing or distribution capabilities, and therefore must either acquire or internally develop sales, marketing and distribution capabilities or make arrangements with third parties to perform these services. If our product candidates demonstrate sufficient clinical benefit to obtain regulatory approval for marketing, we intend to seek third parties as partners to market, sell and distribute such products. These distribution partners may not promote our products as aggressively as we would like, may not be successful in their sales and distribution efforts, or may fail to promote our products altogether. Any of these events would have a material adverse effect on our business, financial condition, and results of operations. These events may also lead us to try to establish our own marketing and sales force. The acquisition or development of a sales and distribution infrastructure would require substantial resources, which may divert the attention of our management and key personnel, and have a negative impact on our product development efforts. Moreover, we may not be able to establish in-house sales and distribution capabilities or relationships with third parties.

If successfully developed, our products will compete with a number of drugs and therapies currently manufactured and marketed by major pharmaceutical and other biotechnology companies. The products may also compete with new products currently under development by other pharmaceutical and biotechnology companies, and with products which may cost less than our products or may be more effective than our products. If our products do not achieve significant market acceptance, our business, financial condition and results of operations will be materially adversely affected.

The status of healthcare reimbursement is uncertain.

Our ability to commercialize product candidates successfully may depend in part on the extent to which reimbursement for the cost of such products and related treatments will be available from government health administration authorities, private health coverage insurers, and other organizations. Significant uncertainty exists as to the reimbursement status of newly approved healthcare products, and there can be no assurance that adequate third party coverage will be available to establish price levels sufficient for us to realize an appropriate return on our investment in developing new products and for existing products. Increasingly, government and other third-party payors are attempting to contain health care costs by limiting both coverage and the level of reimbursement for new therapeutic products. Inadequate coverage or reimbursement could adversely affect market acceptance of our products. Recently, the prices of medical products and services have been examined and challenged by third parties and consumers of such products and services. Successful challenges or government reform in this area could negatively affect our profitability.

We operate our own manufacturing facility, and there is no guarantee that our present facilities will be sufficient in the future.

Our facility is not cGMP licensed. If we cannot obtain a cGMP license, we will not be able to manufacture products for clinical trials in certain jurisdictions or for commercial sale. If we cannot manufacture such products, outsourcing manufacturing to third parties could have a material adverse affect on our financial condition and results of operations.

We expect that our current manufacturing facility will have the production capacity to meet our requirements from pre-clinical development through to the completion of advanced clinical trials. We are currently planning the construction of a cGMP antibody production facility, as large-scale manufacturing and high expression yields are required to make commercial quantities of product candidates. This expansion of capacity will require additional financing which may not be available, or, if available, may not be available on favourable terms. Moreover, delays in construction, or obtaining regulatory approval for, additional manufacturing capacity or a new manufacturing facility may reduce revenues and adversely affect our business, financial condition and results of operations. Even with expansion of the facility, we cannot assure you that we will be able to meet increased demand over time. See ''Our Business — Our Manufacturing Capabilities''.

We depend on outside suppliers for source materials.

We depend on certain source materials necessary for the development and manufacture of our products, and these materials will, in all likelihood, be purchased by us from a limited number of suppliers and delivered to our manufacturing facility by such suppliers. A supplier's failure to supply materials in a timely manner, or to supply materials that meet our quality, quantity or cost requirements, or our inability to obtain substitute sources for these materials in a timely manner or on terms acceptable to us, could harm our ability to develop and manufacture our products.

Competitive products and technologies may reduce demand for our product candidates and technologies.

Our success depends upon maintaining our competitive position in the research, development and commercialization of products and technologies in our area of expertise. Competition from pharmaceutical, chemical and biotechnology companies, universities and research institutes is intense and expected to increase. Many of these competitors have substantially greater research and development capabilities, experience in manufacturing, marketing, financial, and managerial resources than us and represent significant competition for us. We cannot assure you that developments by others will not render our product candidates or technologies non-competitive or obsolete, or that we will be able to achieve the level of acceptance within the medical community necessary to compete successfully. We are aware of several potential competitors that are at various stages of development or that have commercial sales of products that may address similar cancer indications. The success of our competitors and their products may have a material adverse impact on our business, financial condition and results of operations. See ''Our Business — Competition''.

Our industry is characterized by rapid change and a failure by us to react to these changes could have a material adverse effect on our business.

The biotechnology industry is characterized by rapid and substantial technological change. Alternative forms of medical treatment may render our technologies or product candidates of lower or no value in the future. Our future success depends on our ability to adapt to this change and keep pace with new technological developments and emerging industry standards, and we cannot assure you that we will be able to do so.

If we fail to hire or retain needed personnel, the implementation of our business plan could slow our business and future growth could suffer.

Our success depends in large part upon our ability to attract and retain highly qualified scientific and management personnel. Competition for such personnel in the biotechnology field from other companies, academic institutions, government entities and other organizations is intense. We cannot assure you that we will retain our current personnel and will be able to continue to attract qualified personnel, and any failure to do so could slow implementation of our business plan or future growth. In particular, we depend on certain members of our management and scientific staff, the loss of services of one or more of whom could adversely affect us.

We conduct certain elements of our business internationally, and the decisions of sovereign governments could have a material adverse effect on our financial condition.

We conduct certain elements of our business internationally. We are conducting a clinical trial in Russia and intend to, and may, conduct clinical trials in other jurisdictions, including Brazil. Sovereign governments, including Canada, may establish laws or regulations that will be deleterious to our interests or that will affect our ability, as a foreign corporation, to have access to regulatory agencies in Russia, Brazil, and any other jurisdictions. Governments have also, from time to time, established foreign exchange controls which could have a material adverse effect on our business, financial condition and results of operations.

Our operating results may be subject to currency fluctuations, as our operations are based largely in Canada, while some of our expenses are in U.S. dollars or other foreign currencies.

Our operations are based in Canada, while some of our expenses, in particular those related to clinical trials, are in U.S. dollars or currencies other than Canadian dollars. The exchange rate between the Canadian dollar, the U.S. dollar and other foreign currencies is subject to day-to-day fluctuations in the currency markets and these fluctuations in market exchange rates are expected to continue in the future. We do not engage in currency hedging activities to limit the risks of these fluctuations. We are subject to risks associated with these currency fluctuations which may, from time to time, impact our financial position and results of operations.

We use hazardous materials that are highly regulated and we are exposed to potential liability in the event of an accident involving such materials; our compliance with environmental regulations could be costly in the future.

Our discovery and development processes involve the controlled use of radioactive and hazardous materials. We are subject to federal, provincial and local laws and regulations governing the use, manufacture, storage, handling and disposal of such materials and certain waste products. Although we believe that our safety procedures for handling and disposing of such materials comply with the standards prescribed by such laws and regulations, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, we could be held liable for any damages that result and any such liability could exceed our resources and, if so, we may have to cease operations. We have general liability insurance which may not be sufficient to cover the cost of any injuries or other damage sustained in respect of such risks. Although we believe that we are in compliance in all material respects with applicable environmental laws and regulations and currently do not expect to make material capital expenditures for environmental control facilities in the near-term, we cannot assure you that we will not be required to incur significant costs to comply with environmental laws and regulations in the future, or that our operations, business or assets will not be materially adversely affected by current or future environmental laws or regulations.

There are potential conflicts of interest for certain of our directors.

Certain of our directors are also directors and officers of other companies that have had or may have business relationships with us, or which may be in a competitive position to us. Consequently, there exists the possibility for such directors to be in a position of conflict. For example, the Chair of our board of directors, Mr. Dan, sits on the board of directors of Teva Pharmaceutical. See ''Directors and Officers — Conflicts of Interest''. In addition, a substantial portion of the proceeds will be used to repay indebtedness held by Mr. Dan, Ms. Dan-Hytman, and other entities affiliated with them. See ''Use of Proceeds'' and ''Interest of Management and Others in Material Transactions''.

Risks Related to the Offering

We have controlling shareholders who can make decisions relating to our corporate matters or future sales of their common shares, which could have a material adverse effect on the price of our common shares.

Assuming the maximum offering, the full purchase of Units pursuant to the Dan Subscription, and the conversion of the convertible debentures into units, the Dan Group will collectively beneficially own ● common shares, or approximately ● % of the common shares then outstanding on a fully-diluted basis (not including the exercise of the outstanding options), or ● % on a fully-diluted basis (not including the exercise of the outstanding options) if the Over-Allotment Option is exercised in full. See ''Principal Shareholders'', ''Plan of Distribution'', and ''Interest of Management and others in Material Transactions''. Consequently, the Dan Group is and will continue to be in a position to determine the outcome of corporate actions requiring shareholder approval, including: electing a majority of the members of our board of directors; adopting amendments to our articles of continuance and by-laws; and approving a merger or consolidation, liquidation or sale of all or substantially all of our assets. The Dan Group may have interests that differ from yours. For example, the Dan Group may decide not to enter into a transaction in which our shareholders would receive consideration for their common shares that is much higher than the cost of their investment in our common shares or the then market price of our common shares.

Any member of the Dan Group could decide to sell its common shares, subject to applicable securities laws and the lock-up agreements entered into between each member of the Dan Group and the Agents that they will not sell any common shares and/or securities exchangeable or convertible into common shares for a period of 90 days from the date of the offering without the consent of the Agents. We do not have any control over any decision that any member of the

Dan Group may make in the future regarding their continued ownership of our common shares. If any member of the Dan Group pledged its common shares as security for indebtedness, any realization on such security could result in sale of such common shares. We cannot make any prediction as to the effect, if any, such future sale of common shares may have on the market price of our common shares. However, sales of substantial amounts of common shares, or the perception that such sales could occur, could adversely affect the market price of our securities. These sales also might make it more difficult for us to sell securities in the future at a time and at a price that we deem appropriate.

The market price and trading volume of our common shares may be volatile.

The market price of our common shares has experienced significant volatility and will likely continue to do so, which has been or could be in response to numerous factors, including quarterly variations in results of operations; announcements of results of testing, technological innovations or new product candidates or products by us, our customers or competitors, government regulations, developments concerning proprietary rights, litigation and public concerns as to the safety of our product candidates; announcements of acquisitions; general fluctuations in the stock market; and revenues and results of operations below the expectations of the public market. Any of these could result in a sharp decline in the market price of our common shares.

In addition, stock markets have occasionally experienced extreme price and volume fluctuations. Historically, the market prices for the securities of biopharmaceutical companies, including ours, have been particularly affected by these market fluctuations, and such effects have often been unrelated to the operating performance of such companies. These broad market fluctuations may cause a decline in the market price of our common shares.

We have not paid, and do not intend to pay, any cash dividends on our common shares and therefore our shareholders may not be able to receive a return on their shares unless they sell them.

We have never paid dividends on our common shares and we do not expect to have the ability to pay dividends in the foreseeable future. If we generate earnings in the future, we expect that they will be retained to finance further growth and, when appropriate, retire debt. Our board of directors will determine if and when dividends should be declared and paid in the future based on our financial position at the relevant time. Until we pay dividends, which we may never do, you will not be able to receive a return on your common shares unless you sell them, which you may only be able to do at less than the price you paid for them.

There is currently no public market for the Warrants.

There is presently no public market for the Warrants. The offering price of the Units, each comprised of one common share and one-half of one Warrant, was determined by negotiation between us and the Agents. The price paid indirectly for each Warrant may bear no relationship to the price at which the Warrants may trade in the public market subsequent to this offering, if at all. If the Warrants trade on a public stock exchange, such Warrants will not necessarily trade at values determined solely by reference to the underlying value of our common shares or assets. The market price for our common shares and the Warrants may be affected by changes in general market conditions, fluctuations in the market for equity securities and numerous other factors beyond our control.

Purchasers of Units will experience immediate and substantial dilution.

Dilution per common share represents the amount by which the price per common share to be paid by a new investor will exceed the pro forma consolidated net tangible book value per common share immediately after the offering is completed. The issue price of $ ● paid for each Unit exceeds by $ ● the consolidated net tangible book value per Unit as at ● , 2004, after giving effect to the offering. This represents a dilution factor of ● %.

LEGAL PROCEEDINGS

In September 2001, First Monitor Canada Inc. (''First Monitor'') commenced an action in the Ontario Superior Court of Justice against us and seven other parties in connection with an alleged breach of a distribution agreement between First Monitor and Novopharm Ltd. First Monitor is seeking damages in the amount of $20,000,000, special damages, an accounting of profits, interest, and costs.

We deny the claim against us and consider the action to be without merit. A statement of defence reflecting this position has been served on our behalf. As part of the litigation process, a ''mandatory mediation'' was held on December 10, 2003. The mediation was unsuccessful and no action has been taken by First Monitor since that time.

In the normal course of business, we may become involved in various claims and legal proceedings. Except as disclosed above, we are not aware of any material existing or pending legal proceedings against us.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Dan Group

Through securities owned by the Dan Group, Mr. Leslie Dan and Ms. Andrea Dan-Hytman control or exercise control over 82.8% of our issued and outstanding common shares. See ''Principal Shareholders'' for more detailed information.

On August 24, 2001, we completed a private equity placement with our then significant shareholder DFH, which was controlled by Mr. Dan, for net proceeds of $5,848,767. Under the terms of the transaction, DFH purchased 1,791,045 [17,910,447] units issued by us at a price of $3.35 [$0.335] per unit. Each unit consisted of one of our common shares and one common share purchase warrant. Each common share purchase warrant entitles the holder thereof to purchase one common share at an exercise price of $3.35 [$0.335] per common share until August 24, 2006. These warrants are held by an entity controlled by Mr. Dan.

On June 20, 2002, we completed a private placement and issued three secured convertible debentures for gross aggregate proceeds of $6,000,000, less issue costs of $141,288. The debentures were issued to companies within the Dan Group and to a party related to Mr. Dan. The debentures are collateralized by a charge over all of our assets, bear interest at a rate of 10% per annum compounded and payable quarterly, and mature on May 31, 2004. Two of the debentures remain outstanding and are convertible in the aggregate into 1,538,461 [15,384,614] units at the option of the holder at any time or automatically upon the completion of an equity financing of $10,000,000 or greater. Each unit is comprised of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of $2.60 [$0.26] per share, at any time prior to June 20, 2007. We have entered into an agreement with the holders of the debentures pursuant to which they have agreed that the debentures will not automatically convert into units on the completion of the offering, and, in addition, have agreed not to exercise their right to conversion prior to the earlier of: (i) the termination of the offering; (ii) the closing of the offering; and (iii) May 24, 2004.

On May 13 and October 31, 2002, we received bridge financing loans from an entity affiliated with Mr. Dan in the amounts of $800,000 and $2,000,000, respectively. The $800,000 loan was non-interest bearing and the $2,000,000 loan bore interest at a rate of 4.5% per annum. These loans were repaid during the year and the total interest paid on these loans was $11,589.

On December 17, 2002, we completed a private equity placement with Mr. Dan and 1533686 Ontario Limited, a company related to Mr. Dan, for $10,000,000, less issue costs of $109,147. Under the terms of the transaction, we issued 7,142,857 [71,428,570] units at a price of $1.40 [$0.14] per unit. Each unit is comprised of one of our common shares and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of $1.40 [$0.14] per common share until December 17, 2007.

On February 10, 2003, we repaid, to a company controlled by Mr. Dan, the $2,000,000 principal amount, plus accrued interest of $24,000 of one of the convertible debentures previously issued on June 20, 2002. In connection with this repayment, Mr. Dan reinvested $2,000,000, less issue costs of $89,000, in the form of a private equity placement for 1,111,111 [11,111,111] units, with each unit consisting of one common share and one common share purchase warrant at an exercise price of $1.80 [$0.18] per share.

On September 2, 2003, we received a bridge financing loan from an entity affiliated with Mr. Dan in the amount of $500,000, which was non-interest bearing and was repaid in October 2003. On November 27 and December 15, 2003, we also received bridge financing loans from Mr. Dan and an entity affiliated with him in the amounts of $500,000, and $1,000,000, respectively. These loans bear interest at 4.5% per annum and are repayable on demand.

On January 16, February 13, and April 1, 2004, we received bridge financing loans in the total amount of $3,400,000 from Mr. Dan. The loans bear interest at 4.5% per annum and are payable on demand. We expect to receive $1,500,000 in additional bridge financing loans from Mr. Dan or entities affiliated with him prior to the closing of the offering.

It is a condition of closing of the offering that the Dan Group purchases 40% of the amount of the Units offered pursuant to the offering, up to a maximum of $14,000,000. The Dan Subscription is subject to regulatory approval. See ''Principal Shareholders'' and ''Plan of Distribution''.

We lease a 31,100 square foot manufacturing, laboratory, and office facility at 147 Hamelin Street in Winnipeg, Manitoba at an estimated net annual rent of $181,600 for 2004. This facility is leased from an affiliate of Mr. Dan. The lease, which we recently amended effective February 1, 2004, expires on June 30, 2008 and is on market terms.

See also ''Management's Discussion and Analysis''.

Teva Pharma B.V.

On September 10, 2003, we completed a private equity placement of 1,402,100 [14,021,000] units with Teva for gross proceeds of approximately $2,804,000 less issuance costs of $147,000. Our chairman and principal shareholder, Mr. Leslie Dan, is a director of Teva Pharmaceutical. Teva is an indirect, wholly-owned subsidiary of Teva Pharmaceutical. See ''Prior Sales of Common Shares''.

The Teva Option gives Teva the right to purchase up to an aggregate of 6.4% of the Units issued pursuant to the offering in order to maintain its ownership level in us on a fully-diluted basis. Teva's current ownership level in us on a fully-diluted basis (not including the exercise of outstanding options) is 6.4%. Assuming the maximum offering and the exercise of the Teva Option in full, upon completion the offering Teva will own ● common shares (● common shares if the Over-Allotment is exercised in full), or approximately 6.4% of the common shares then outstanding on a fully-diluted basis (not including the exercise of outstanding options). See ''Plan of Distribution''.

In addition, as long as Teva holds any of our common shares, we have granted to Teva a right of first negotiation to obtain an exclusive licence to develop and distribute the next five indications of Proxinium™ for which we would otherwise seek a licensee. We are obligated to notify Teva in these circumstances and to negotiate the terms of a licence agreement with Teva for 60 days thereafter on an exclusive basis. If we fail to execute and deliver a license agreement at the end of such 60 day period, we are free to negotiate the terms of a licence with any third party, provided that the terms offered to the third party are not materially more favorable than those offered to Teva.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

Our auditors are Ernst & Young LLP, Chartered Accountants, of 222 Bay Street, PO Box 251, Toronto Dominion Centre, Toronto, Ontario.

The transfer agent and registrar for our common shares is Computershare Trust Company of Canada at its principal offices in Toronto, Canada and we have also designated this office as the location at which the Warrants may be surrendered for exercise, transfer or exchange.

MATERIAL CONTRACTS

The following are the only material contracts, other than contracts entered into in the ordinary course of business, which have been entered into by us within the past two years or which are proposed to be entered into:

- the Agency Agreement referred to under the heading ''Plan of Distribution''; and
- the Warrant Indenture referred to under the heading ''Description of the Warrants''.

Copies of these agreements may be examined at our registered and head office during normal business hours during the course of the offering.

CERTAIN CANADIAN INCOME TAX MATTERS

In the opinion of our counsel, Torys LLP, and Cassels Brock & Blackwell LLP, counsel to the Agents, the following is a summary of the principal Canadian federal income tax considerations generally applicable to prospective purchasers of the Units offered by this prospectus (''Purchasers'') who, within the meaning of the Income Tax Act (Canada) (the ''Act''), and at all relevant times, are or are deemed to be residents of Canada, deal with us at arm's length and are not affiliated with us, and hold or will hold their common shares and Warrants as capital property.

The Act contains certain provisions (the ''Mark-to-Market Rules'') relating to securities held by certain financial institutions, registered securities dealers and corporations controlled by one or more of the foregoing. This summary

does not take into account the Mark-to-Market Rules nor any proposed amendments thereto, and taxpayers that are ''financial institutions'' as defined for the purpose of the Mark-to-Market Rules should consult their own tax advisors.

This summary is based upon the current provisions of the Act and regulations thereunder in force as at the date hereof, specific proposals to amend the Act and regulations thereunder that have been publicly announced by the Minister of Finance of Canada prior to the date hereof and counsels' understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (''CRA''). Except as otherwise indicated, this summary does not take into account or anticipate any changes in the applicable law, whether made by judicial, governmental or legislative decision or action nor does it take into account provincial or foreign tax laws or considerations, which might differ significantly from those discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Purchaser. This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in common shares and Warrants, and does not describe the income tax considerations relating to the deductibility of interest on money borrowed by a Purchaser to acquire Units. On October 31, 2003, the Minister of Finance released draft proposals regarding the deductibility of interest and other expenses (the ''October 31 Proposals'') for public comment. The October 31 Proposals could, among other things, adversely affect the deduction by a Purchaser of interest on borrowings used to acquire common shares and Warrants. Moreover, the income and other tax consequences of acquiring, holding and disposing of common shares and Warrants will vary according to the status of the Purchaser, the province or provinces in which the Purchaser resides or carries on business and, generally, the Purchaser's own particular circumstances.

Allocation of Purchase Price

A Purchaser of a Unit offered by this prospectus will be required to allocate the price paid for a Unit on a reasonable basis between the common share and the one-half of a Warrant in order to determine their respective costs to the Purchaser for purposes of the Act. We will allocate $● to each common share and $● to each one-half of one Warrant. Although we believe this allocation to be reasonable, it is not binding upon the CRA.

Exercise of Warrants

No gain or loss will be realized by a Purchaser upon exercise of a Warrant. When a Warrant is exercised, the cost to the Purchaser of the common share thus acquired will be the aggregate of the adjusted cost base, for that Purchaser, of the Warrant and the price paid for the common share upon exercise of the Warrant.

Expiry of Warrants

The expiry of an unexercised Warrant will generally result in a capital loss to the Purchaser equal to the adjusted cost base of the Warrant to the Purchaser immediately before its expiry.

Disposition of Common Shares and Warrants

In general, a disposition, or a deemed disposition, of a common share or of a Warrant (other than on the exercise or expiry thereof) will give rise to a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the common share or the Warrant, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the holder of the common share or the Warrant. In the event a Purchaser who acquires common shares also holds other common shares of Viventia, the adjusted cost base will be determined by averaging the adjusted cost base of all the common shares of that Purchaser held as capital property. The adjusted cost base of a Warrant will generally be equal to the cost of the Warrant to the Purchaser and will be averaged with the adjusted cost base of any other Warrants acquired by the Purchaser.

Generally, one-half of a capital gain must be included in income as a taxable capital gain and one-half of a capital loss is an allowable capital loss. An allowable capital loss for a year normally may be deducted by the Purchaser in computing income to the extent of any taxable capital gains for the year. Any allowable capital loss not deductible in the year may be deducted against taxable capital gains in computing taxable income for any of the three preceding years or any subsequent year (in accordance with the detailed rules contained in the Act). Capital gains realized by an individual will be relevant in computing possible liability under the alternative minimum tax.

In general, in the case of a Purchaser that is a corporation, the amount of any capital loss otherwise determined arising from a disposition or deemed disposition of common shares may be reduced by the amount of dividends previously received thereon to the extent and under circumstances prescribed in the Act. Analogous rules apply where a corporation is, directly or through a trust or partnership, a member of a partnership or a beneficiary of a trust which owns common shares.

Additional Refundable Tax

A Purchaser that is a ''Canadian-controlled private corporation'' (as defined in the Act) may be liable to pay an additional refundable tax of 6⅔ percent on certain investment income, including amounts in respect of taxable capital gains (but not dividends or deemed dividends deductible in computing taxable income).

Dividends on Common Shares

Dividends received or deemed to be received on the common shares by an individual (including a trust) will be included in computing the individual's income for tax purposes and will be subject to the gross-up and dividend tax credit rules normally applicable to dividends received from taxable Canadian corporations. A Purchaser that is a corporation will include dividends received or deemed to be received on the common shares in computing its income for tax purposes and generally will be entitled to deduct the amount of such dividends in computing its taxable income, with the result that no tax will be payable by it in respect of such dividends. Certain corporations, including private corporations or subject corporations (as such terms are defined in the Act), may be liable to pay a refundable tax under Part IV of the Act at the rate of 33⅓% of the dividends received or deemed to be received on the common shares to the extent that such dividends are deductible in computing taxable income.

EXPERTS

The matters referred to under ''Eligibility for Investment'' and certain other legal matters relating to the Units offered by this prospectus will be passed upon at the date of closing on our behalf by Torys LLP and on behalf of the Agents by Cassels Brock & Blackwell LLP.

As of April 12, 2004, the partners and associates of Torys LLP beneficially owned, directly or indirectly, less than 1% of our outstanding common shares. As of April 12, 2004, the partners and associates of Cassels Brock & Blackwell LLP beneficially owned, directly or indirectly, less than 1% of our outstanding common shares.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the 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 the purchaser's province for the particulars of these rights or consult with a legal adviser.

GLOSSARY OF SELECTED TERMS

antibody	A protein molecule produced by B-cells of the immune system in response to a specific target *e.g.* an antigen. All antibody molecules share in common the ability to combine with its specific antigen in a lock-and-key fashion.
antigen	Macromolecules that elicit an immune response in the body. The most common antigens are proteins and polysaccharides.
B-cells	Immune cells that produce antibodies when exposed to antigens.
biologic	Any antibody, protein, virus, therapeutic serum, toxin, antitoxin, vaccine, blood, blood component or derivative, allergenic product or analogous product for prevention, treatment or cure of diseases or injuries of humans, including its use as an aid in the diagnosis of evaluation of susceptibility or immunity.
biopharmaceutical	A chemical or biological product made by, or with the help of, a living organism, and which affects living processes such as cell growth, metabolism, and division.
cancer	An uncontrolled growth of cells in the body resulting from multiple errors in the processes controlling cell growth and replication. Cancers arise from specific tissues in the body, and often duplicate some of the features of those tissues, but in a disorganized and chaotic manner.
cGMP or current good manufacturing practice	A standard set of operating rules under which a manufacturing facility functions such that every step in the testing and manufacturing process of a drug is documented and monitored.
chimeric	Derived from animals comprising cells of two or more distinct genomes (*e.g.* mouse and human).
clinical trials	A carefully designed series of ethical experiments aimed at establishing the value of a drug or other substance designed to treat human disease. A typical therapeutic molecule must pass through three phases of trials prior to receiving regulatory approval: Phase I (toxicity), Phase II (initial efficacy), and Phase III (large-scale efficacy).
cytotoxic	Detrimental or destructive to cells.
fermentation suite	A clean room within the manufacturing facility where the cell culture system synthesizes a specific antibody.
HAMA response or ''human anti-mouse antibody'' response	Human antibodies produced during an immune response against transplanted mouse antibodies, which can lead to the immune rejection of the mouse antibody.
human immune system	A network of cells, signal and effector molecules that are primarily responsible for defending the organism against foreign substances (*e.g.* bacteria, viruses). The immune system is capable of recognizing a wide diversity of foreign antigens and possesses memory against specific antigens which it previously has encountered (*e.g.* vaccination).
hybridoma	A cell culture that produces a single antibody, *e.g.* a monoclonal antibody.
immortal cell	A cell that can divide in culture indefinitely.
immune response	The coordinated response of the human immune system to an infection, tumor, or any other signal that triggers it.
in vitro	In an artificial environment, test tube or culture media.
in vivo	In the living body.
molecular biology	A scientific discipline devoted to the study of the molecules that form the structure and control the function of cells, especially DNA.
murine	Derived from mice.

payload	A cancer-killing agent that is attached to a carrier (*e.g.* antibody).
phage display	A laboratory or manufacturing technique for production of antibodies by viruses.
pharmacokinetic	The study of the processes by which a drug is absorbed, distributed, metabolized, and eliminated by the body.
pre-clinical studies	Studies designed to assess the effectiveness and safety of a new medication in model systems (cells and animals) prior to clinical studies in humans.
radioisotope	A chemical molecule that spontaneously emits radiation. Radioisotopes can be used in radiation therapy to treat cancer or as tracers in nuclear medicine scans for diagnostics.
radiolabelled	A radioactive atom or group of atoms attached to a molecule of interest.
small molecule	Chemical molecules with drug action potential.
totally human antibody	A monoclonal antibody derived from the human immune system.

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AUDITORS' REPORT

To the Board of Directors of
VIVENTIA BIOTECH INC.

We have audited the balance sheets of Viventia Biotech Inc. as at December 31, 2003 and 2002 and the statements of loss and deficit and cash flows for each of the years in the three-year period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2003 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
March 5, 2004 [except for notes 16 [d],
[e], [f] and [g] which are as at
April ●, ●, ●, and ●, 2004, respectively].

Chartered Accountants

AUDITED ANNUAL FINANCIAL STATEMENTS

VIVENTIA BIOTECH INC.

BALANCE SHEETS

[in thousands of Canadian dollars]
[See note 1 — Nature of operations and basis of presentation]
As at December 31

	2003	2002
	$	$
ASSETS		
Current		
Cash	247	8,385
Short-term investments	51	50
Miscellaneous receivables	50	52
Prepaid expenses, deposits and supplies	313	210
Total current assets	661	8,697
Deferred financing expenses [net of accumulated amortization of $82 [2002 — $35]] *[note 2]*	24	106
Licensed technology [net of accumulated amortization of $135 [2002 — $48]] *[note 4]*	261	348
Capital assets, net *[note 5]*	1,793	2,098
	2,739	11,249
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities	1,723	1,551
Bridge financing loans *[note 6]*	1,500	—
Convertible debentures *[note 7]*	4,000	—
Total current liabilities	7,223	1,551
Convertible debentures *[note 7]*	—	6,000
Total liabilities	7,223	7,551
Commitments and contingencies *[note 13]*		
Shareholders' equity (deficiency)		
Capital stock *[note 8]*	72,488	67,920
Contributed surplus *[note 9]*	28	—
Deficit	(77,000)	(64,222)
Total shareholders' equity (deficiency)	(4,484)	3,698
	2,739	11,249

On behalf of the Board:

Director Director

(See accompanying notes)

VIVENTIA BIOTECH INC.

STATEMENTS OF LOSS AND DEFICIT

[in thousands of Canadian dollars, except per share data]

Years ended December 31

	2003	2002	2001
	$	$	$
EXPENSES			
Research and development activities			
Salaries and benefits	4,551	4,266	3,860
Research activities	4,752	4,307	2,996
Occupancy	789	664	822
Other operating costs	529	607	605
Amortization of licensed technology *[note 4]*	87	48	—
	10,708	9,892	8,283
General and administrative	1,107	1,408	1,441
Amortization of capital assets	524	651	498
Amortization of deferred financing expenses	82	35	—
Interest expense *[notes 6 and 7]*	435	338	16
	12,856	12,324	10,238
Loss before the undernoted	(12,856)	(12,324)	(10,238)
Write-off of acquired research and development *[note 10]*	—	—	(4,870)
Miscellaneous income *[note 12]*	78	55	338
Net loss for the year	(12,778)	(12,269)	(14,770)
Deficit, beginning of year	(64,222)	(51,953)	(37,183)
Deficit, end of year	(77,000)	(64,222)	(51,953)
Basic and diluted loss per common share	$ (0.05)	$ (0.06)	$ (0.08)
Basic and diluted weighted average number of common shares outstanding *[000's]*	280,898	198,044	183,723

(See accompanying notes)

VIVENTIA BIOTECH INC.

STATEMENTS OF CASH FLOWS
[in thousands of Canadian dollars]
Years ended December 31

	2003	2002	2001
	$	$	$
OPERATING ACTIVITIES			
Net loss for the year	(12,778)	(12,269)	(14,770)
Add (deduct) items not affecting cash			
Write-off of acquired research and development *[note 10]*	—	—	4,870
Amortization of deferred financing expenses	82	35	—
Amortization of licensed technology *[note 4]*	87	48	—
Amortization of capital assets	524	651	498
Loss (gain) on sale of capital assets	(2)	26	5
Stock-based compensation	28	—	—
	(12,059)	(11,509)	(9,397)
Changes in non-cash working capital balances related to operations			
Miscellaneous receivables	2	32	47
Prepaid expenses, deposits and supplies	(103)	(2)	(25)
Accounts payable and accrued liabilities	172	160	210
Cash used in operating activities	(11,988)	(11,319)	(9,165)
INVESTING ACTIVITIES			
Purchase of capital assets	(223)	(132)	(364)
Proceeds on sale of capital assets	6	38	45
Purchase of short-term investments	(51)	(50)	—
Proceeds on maturity of short-term investments	50	500	4,500
Purchase of licensed technology *[note 4]*	—	(156)	(240)
Cash provided by (used in) investing activities	(218)	200	3,941
FINANCING ACTIVITIES			
Proceeds on issuance of common shares *[note 8]*	4,804	10,000	6,000
Common share issuance costs *[note 8]*	(236)	(109)	(151)
Proceeds on bridge financing loans *[note 6]*	2,000	2,800	—
Repayment of bridge financing loans *[note 6]*	(500)	(2,800)	—
Repayment of convertible debenture *[note 7]*	(2,000)	—	—
Proceeds on issuance of convertible debentures *[note 7]*	—	6,000	—
Convertible debentures issuance costs *[note 7]*	—	(141)	—
Cash provided by financing activities	4,068	15,750	5,849
Net increase (decrease) in cash and cash equivalents during the year	(8,138)	4,631	625
Cash, beginning of year	8,385	3,754	3,129
Cash, end of year	247	8,385	3,754
Supplemental cash flow information			
Interest paid	435	338	16

(See accompanying notes)

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Viventia Biotech Inc. [the ''Company''] was continued in 1995 under the British Columbia Companies Act as Novopharm Biotech Inc. In 1998 the Company was continued under the *Business Corporations Act* (Ontario). The Company changed its name from Novopharm Biotech Inc. to Viventia Biotech Inc. on September 11, 2000. The Company is engaged in discovery and development of fully human monoclonal antibody therapies for the treatment of cancer.

The Company's two principal shareholders are Leslie Dan and one of his children, who own or directly control other companies that collectively own approximately 82.8% of the Company. Substantially all of the financing received by the Company during the past three fiscal years has been received from these shareholders *[notes 6, 7 and 8]*.

The Company's success is dependent, in large part, on completing product development, obtaining regulatory approvals and commercializing or entering into agreements with third parties to commercialize product candidates. The successful completion of these activities is necessary to allow the Company to continue research and development activities and the commercialization of its products. It is not possible to predict either the outcome of future research and development programs or the Company's ability to fund these programs going forward.

The Company has had significant losses over the past four years. At December 31, 2003, the Company has a negative net working capital of approximately $6,562,000 and without an additional source of funding it will have inadequate funds to continue its existing corporate, administrative and operational functions for the coming year. There is substantial doubt about the ability of the Company to continue as a going concern.

These financial statements have been prepared on a going concern basis, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. These financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions 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 revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash balances and highly liquid short-term deposits with original maturity dates of less than 90 days at the date of purchase with major financial institutions.

Deferred financing expenses

Deferred financing expenses, comprised primarily of legal costs, represent the cost of obtaining the Company's convertible debentures. Amortization of deferred financing expenses is provided over the term of the convertible debentures.

Licensed technology

Licensed technology represents proven technology that the Company has in-licensed from other companies for the purpose of applying the technology in its research operations. Licensed technology is stated at cost less accumulated amortization. Amortization is provided on a straight-line basis over its estimated useful life of five years.

Capital assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided on a straight-line basis at rates designed to amortize the cost of capital assets over their estimated useful lives as follows:

Office equipment, furniture and fixtures	10 years
Computer hardware and software	3 years
Research equipment	10 years
Leasehold improvements	Over the term of the related lease

Research and development costs

Research costs are expensed as incurred. Development costs are expensed as incurred unless these costs meet the criteria under Canadian generally accepted accounting principles for deferral and amortization. To date, no such costs have been deferred.

Income taxes

The Company applies the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are determined based on the differences between the financial reporting and income tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. Valuation allowances are established when necessary to reduce future income tax assets to the amount expected to be realized.

Financial instruments

The Company's financial instruments recognized in the balance sheets consist of cash and cash equivalents, miscellaneous receivables and accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values due to their short-term nature. The carrying value of the convertible debentures and bridge financing loans approximates fair market value based on current expected borrowing rates from the same or similar parties.

Stock option plans

The Company has two stock-based compensation plans, which are described in note 9. Prior to January 1, 2003, no compensation expense was recognized for the plans when stock or stock options were issued to employees, officers and directors. During the fourth quarter of 2003, the Company adopted the fair value method of accounting for stock-based compensation plans. The Company has selected the prospective method of adoption; accordingly, results from prior years have not been restated *[note 3]*.

Stock options and warrants awarded to non-employees are accounted for using the fair value method and expensed as the service or product is received. Consideration paid on the exercise of stock options and warrants is credited to capital stock.

Loss per common share

Diluted loss per common share reflects the dilution that would occur if outstanding stock options and warrants were exercised or converted into common shares using the treasury stock method. The inclusion of the Company's stock options and warrants in the computation of diluted loss per share would have an anti-dilutive effect on loss per common share and, therefore, options and warrants are excluded from the computation. Consequently, there is no difference between basic loss per common share and diluted loss per common share.

3. CHANGE IN ACCOUNTING POLICY

During the year ended December 31 2003, the Canadian Institute of Chartered Accountants [''CICA''] amended its pronouncement relating to stock-based compensation, requiring companies to measure and expense all equity instruments awarded to employees. In accordance with this pronouncement, the Company prospectively adopted the new recommendation. Consequently, the Company has applied a fair value based method to expense employee stock options awarded since January 1, 2003. The Company did not issue any stock options during the year ended December 31, 2002 to require the presentation of pro forma net loss for that year.

4. LICENSED TECHNOLOGY

During the year ended December 31, 2001, the Company acquired a non-exclusive licence from a third party to use its technology to reduce future research and development costs in return for a deposit of $240,000. No amortization was recognized as the licensed technology was not available for use. During the year ended December 31, 2002, the Company made an additional payment of $156,000 for this technology, which the Company implemented in its operations.

The Company is also required under the terms of this licence agreement to make certain milestone payments and royalty payments *[note 13]*.

5. CAPITAL ASSETS

Capital assets consist of the following:

	2003		
	Cost	**Accumulated amortization**	**Net book value**
	$	$	$
Office equipment, furniture and fixtures	213	123	90
Office equipment under capital lease	21	4	17
Computer hardware and software	748	613	135
Research equipment	4,947	3,406	1,541
Leasehold improvements	1,353	1,343	10
	7,282	5,489	1,793

	2002		
	Cost	Accumulated amortization	Net book value
	$	$	$
Office equipment, furniture and fixtures	209	100	109
Computer hardware and software	718	512	206
Research equipment	4,805	3,035	1,770
Leasehold improvements	1,338	1,325	13
	7,070	4,972	2,098

6. BRIDGE FINANCING LOANS

During the year ended December 31, 2003, the Company received three bridge financing loans from its principal shareholder in the amounts of $500,000 on September 2, 2003, $500,000 on November 27, 2003 and $1,000,000 on December 15, 2003. The $500,000 loan advanced on September 2, 2003 was non-interest bearing and was repaid during the year. The remaining $500,000 and $1,000,000 loans bear interest at 4.5% per annum and are payable upon demand.

During the year ended December 31, 2002, the Company received two bridge financing loans from its principal shareholder in the amounts of $800,000 and $2,000,000. The $800,000 loan was non-interest bearing and the $2,000,000 loan bore interest at 4.5% per annum. These loans were repaid during 2002 and total interest paid on these loans was $11,589.

7. CONVERTIBLE DEBENTURES

During the year ended December 31, 2003, the Company repaid $2,000,000, plus accrued interest of $24,000, of the $6,000,000 convertible debentures *[note 8]*.

During the year ended December 31, 2002, the Company completed a private placement and issued convertible debentures for gross proceeds of $6,000,000 less issue costs of $141,288 [net $5,858,712]. The debentures were issued to companies owned by the principal shareholder and individuals related to this principal shareholder.

The debentures are collateralized by a charge over all the assets of the Company, bear interest at 10% per annum compounded and payable quarterly and mature on May 31, 2004. The debentures are convertible at the option of the holder, at any time, or automatically upon the completion of an equity financing for $10,000,000 or greater into 15,384,614 units *[note 16[f]]*. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.26 per share, at any time prior to June 20, 2007.

If the remaining debentures and common share purchase warrants were converted, 30,769,228 common shares would be issued, representing approximately 10.5% of the current issued and outstanding common shares of the Company.

8. CAPITAL STOCK

[a] Preferred and common shares

Preferred shares

The Company has authorized an unlimited number of preferred shares. The preferred shares may be issued at any time or from time to time in one or more series. As at December 31, 2003 and 2002, there were no preferred shares issued or outstanding.

Common shares

The Company has authorized an unlimited number of common shares. Common shareholders are entitled to one vote per common share held. Subject to the prior rights of the holders of preferred shares, the holders of common shares are entitled to receive any dividend declared by our board of directors and to receive the remaining property of the Company upon dissolution.

Issued

	Common shares	
	#	$
	[000's]	
Balance, December 31, 2000	177,393	52,180
Shares issued on private placement, net *[i]*	17,910	5,849
Balance, December 31, 2001	195,303	58,029
Shares issued on private placement, net *[ii]*	71,429	9,891
Balance, December 31, 2002	266,732	67,920
Shares issued on private placement, net *[iii]*	11,111	1,911
Shares issued on private placement, net *[iv]*	14,021	2,657
Balance, December 31, 2003	291,864	72,488

[i] On August 24, 2001, the Company completed a private equity placement with Dan Family Holdings Ltd. [''DFH''] for $6,000,000 net of issuance costs of $151,233 [net $5,848,767]. Under the terms of the transaction, DFH purchased 17,910,447 units issued by the Company at a price of $0.335 per unit. The unit price is based on the closing price of the Company's common shares on the Toronto Stock Exchange on July 25, 2001. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.335 per share until August 24, 2006.

[ii] On December 17, 2002, the Company completed a private equity placement with Leslie Dan and 1533686 Ontario Limited, a company related to Leslie Dan, for $10,000,000, net of issuance costs of $109,147 [net $9,890,853]. Under the terms of the transaction, the Company issued 71,428,570 units at a price of $0.14 per unit. The unit price is based on the closing price of the Company's common shares on the Toronto Stock Exchange on December 17, 2002. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.14 per share until December 17, 2007.

[iii] On February 10, 2003, the Company repaid $2,000,000 plus accrued interest of $24,000 of the $6,000,000 convertible debentures to a company controlled by one of the principal shareholders *[note 7]*. In connection with this repayment, the principal shareholder reinvested $2,000,000 less issue costs of $89,000 in the form of a private equity placement for 11,111,111 units with each unit consisting of one common share of the Company and one common share purchase warrant at an exercise price of $0.18 per share. The unit price is based in the closing price of the Company's common shares on the Toronto Stock Exchange on January 14, 2003. The warrants expire on February 10, 2008.

[iv] On September 10, 2003, the Company completed a private equity placement with a wholly-owned indirect subsidiary of Teva Pharmaceutical Industries Ltd. for approximately $2,804,000 less issuance costs of $147,000. Under the terms of this transaction, this subsidiary purchased 14,021,000 units issued by the Company at a price of $0.20 per unit. The unit price is based on the closing price of the Company's common shares on the Toronto Stock Exchange on August 21, 2003. Each unit consists of one common share of the Company and one common share purchase warrant at an excise price of $0.20. The warrants expire on September 10, 2008.

In accordance with CICA Handbook Section 3860, ''Financial Instruments Disclosure and Presentation'', the net proceeds of $2,657,000 was bifurcated between capital stock and warrants on a pro rata allocation basis, based on fair value. The fair value of the common share component of the unit was based on the $0.20 closing price of the Company's common shares as stated above. The fair value of the warrant component of the unit was estimated using the Black-Scholes option pricing model using the following assumptions: risk free interest rate of 4.5%, expected dividend yield of nil, expected volatility of 78% and expected life of five years.

[b] Warrants

A summary of the warrants outstanding at December 31, 2003 and the changes since December 31, 2000 is presented as follows:

	Weighted average exercise price	Warrants outstanding
	$	#
Balance, December 31, 2000	0.42	18,746,085
Granted	0.335	17,910,447
Balance, December 31, 2001	0.38	36,656,532
Granted	0.14	71,428,570
Expired	1.12	(3,424,657)
Balance, December 31, 2002	0.19	104,660,445
Granted	0.19	25,132,111
Expired	0.27	(15,321,428)
Balance, December 31, 2003	0.18	114,471,128

As at December 31, 2003, warrants outstanding to purchase common shares were as follows:

Terms of warrants	Warrants outstanding
	#
Expire August 24, 2006 at $0.335 per share *[note 8[a][i]]*	17,910,447
Expire December 17, 2007 at $0.14 per share *[note 8[a][ii]]*	71,428,570
Expire February 10, 2008 at $0.18 per share *[note 8[a][iii]]*	11,111,111
Expire September 10, 2008 at $0.20 per share *[note 8[a][iv]]*	14,021,000
	114,471,128

As at December 31, 2003, none of the above-mentioned purchase warrants had been exercised.

[c] Escrow shares

Pursuant to an escrow agreement dated August 17, 1992, 250,000 common shares were issued to an arm's length management company and are held in escrow subject to petition for release by the Vancouver Stock Exchange (now, the TSX Venture Exchange).

9. STOCK OPTIONS AND STOCK-BASED COMPENSATION

[a] Stock options

During the year ended December 31, 2001, the shareholders approved the establishment of the 2001 Stock Option Plan [the ''Plan']. Under the Plan, the number of common shares reserved for issuance to employees and directors will not exceed 10% of the number of common shares issued and outstanding at any time; the number of common shares that may be issued to any one employee and/or director and their associates, within a one-year period, cannot exceed 5% of the outstanding issue; and, the number of common shares reserved for issuance to any one person cannot exceed 5% of the number of common shares outstanding. The options can be granted to any person who is a director, officer or employee of the Company or any of its subsidiaries or affiliates, or any person that has been engaged to provide services for the Company or its affiliates. The term of options granted shall generally be seven years, but will not exceed 10 years. The vesting period for these options is generally three years with 1/12 vesting at the end of each quarter. The subscription price for the common shares will be based on the trading price for the common shares on the last trading day before the date of grant of the options or a more representative fair market price, as determined by the Board of Directors. The maximum aggregate number of common shares that are reserved for issuance under the Plan is 6,000,000.

The Company's original share option plan [the ''1996 Plan''] was approved by shareholders of the Company on December 16, 1996 with 4,933,366 common shares reserved for issuance. The total number of common shares reserved for issuance under both the 1996 Plan and the Plan is 10,933,366, representing 3.75% of the total issued and outstanding common shares of the Company as at December 31, 2003. No further grants of options will be made under the 1996 Plan. The term of options granted under the 1996 Plan shall generally be five years but will not exceed 10 years. The vesting period for these options is five years with 1/5 vesting at the end of each year. Options that have been granted pursuant to the 1996 Plan will continue to be governed by the 1996 Plan until they are exercised, cancelled, or forfeited and/or expired.

As a result of the amalgamation with Genesys Pharma Inc. [''GPI''] in 1997, all outstanding GPI options were exchanged for Company options according to a conversion ratio of 1:1.6. In total, 1,360,430 options held by GPI employees were converted into 2,176,688 options of the Company. These options were not issued pursuant to the terms of the Plan and are in addition to the maximum number of common shares reserved for issuance under the Plan.

At December 31, 2003, the Company had 4,457,915 options to purchase common shares outstanding at a weighted average exercise price of $0.31 per share. The Company issued 1,142,746 options to employees during 2003.

A summary of the options outstanding at December 31, 2003 and the changes since December 31, 2000 is presented as follows:

	Options outstanding	Weighted average exercise price
	#	$
Balance, December 31, 2000	2,607,963	0.68
Granted	2,913,250	0.22
Forfeited or expired	(352,596)	0.88
Balance, December 31, 2001	5,168,617	0.41
Forfeited or expired	(795,215)	0.73
Balance, December 31, 2002	4,373,402	0.35
Granted	1,142,746	0.20
Forfeited or expired	(1,058,233)	0.34
Balance, December 31, 2003	4,457,915	0.31

The following table summarizes information about stock options outstanding at December 31, 2003:

	Options outstanding			Options exercisable	
Exercise price	Options outstanding	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable	Weighted average exercise price
$	#	[years]	$	#	$
0.20-0.25	3,375,415	5.82	0.21	1,348,944	0.22
0.26-0.50	375,000	1.17	0.41	353,333	0.42
0.51-0.75	707,500	1.17	0.74	707,500	0.74
	4,457,915	5.10	0.31	2,409,777	0.40

[b] Stock-based compensation

Effective January 1, 2003, the Company began prospectively recording compensation expense for awards granted to employees. During the year ended December 31, 2003 1,142,746 options were granted to employees. An amount of $28,334 was recorded as an expense and

was credited to contributed surplus in 2003 for the fair value of stock options granted to employees determined using the Black-Scholes option pricing model. No options were granted to non-employees. Consideration paid on the exercise of stock options and warrants is credited to capital stock.

The fair value of the options issued was calculated using the Black-Scholes option pricing model with the following assumptions: risk free interest rate of 3.92%, expected dividend yield of nil, expected volatility of 73% and expected option life of seven years. The estimated weighted average fair value of the options granted is $0.14.

Pro forma disclosure is calculated using the Black-Scholes option pricing model. The Black-Scholes option pricing model estimated the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differ from the Company's stock option awards. These models also require four highly subjective assumptions, including future stock price volatility and expected time until exercise, which greatly affect the calculated values. Accordingly, management believes that these models do not necessarily provide a reliable single measure of the fair value of the Company's stock option awards.

The Company did not issue any stock options during the year ended December 31, 2002; therefore, pro forma net loss for the year ended December 31, 2002 and pro forma net loss per common share is consistent with those reported for that period.

10. ACQUIRED RESEARCH AND DEVELOPMENT

During the year ended December 31, 2001, the Company reviewed the carrying value of its acquired research and development. Based on the Company's research and development priorities, it was determined that it was unlikely the development of this technology would occur in the near future. This created doubt as to the likelihood of eventual recoverability. Accordingly, this amount was written off.

11. INCOME TAXES

The tax effects of temporary differences and net operating losses that give rise to future tax assets are as follows:

	2003	2002
	$	$
Future tax assets		
Non-capital losses carried forward	8,412	5,372
Research and development expenditures	5,169	3,078
Net non-refundable investment tax credits	4,081	3,045
Net capital losses carried forward	617	546
Carrying value of capital assets in excess of tax basis	914	586
Financing costs	161	118
Total future tax assets	19,354	12,745
Less valuation allowance	(19,354)	(12,745)
Net future tax assets	—	—

At December 31, 2003, the Company's tax benefits for which a valuation allowance has been established are as follows:

[a] The Company has accumulated non-capital losses for income tax purposes of approximately $22,916,000, which can be carried forward to reduce future Canadian taxable income. These tax loss carryforwards begin to expire in 2003.

[b] The Company has approximately $14,081,000 in Canadian scientific research and development expenditures which can be carried forward indefinitely to reduce future years' taxable income.

[c] The Company has non-refundable investment tax credits of $4,081,000 that can be carried forward and may be applied against future years' income taxes payable. These investment tax credits will begin to expire in 2010.

[d] Net capital loss carryforwards of $3,364,000, which may be used to reduce future years' capital gains, can be carried forward indefinitely.

The non-capital losses and investment tax credits expire as follows:

	Non-capital losses	Investment tax credits
	$	$
2004	1,380	49
2005	—	107
2006	—	—
2007	3,145	—
2008	3,846	14
2009	5,623	—
2010	8,922	920
2011	—	910
2012	—	1,065
2013	—	1,016
	22,916	4,081

12. MISCELLANEOUS INCOME

For the years ended December 31, 2003 and 2002, miscellaneous income consisted of interest income. For the year ended December 31, 2001, miscellaneous income consisted of a sale of certain non-core technology for $100,000 and interest income of $238,000.

13. COMMITMENTS AND CONTINGENCIES

[a] The Company enters into research, development and licence arrangements with various parties in the ordinary course of business. These arrangements outline various research services that are being provided to the Company and enable it to utilize know-how and technology. The arrangements require compensation to be paid by the Company, typically by a combination of the following methods:

[i] Fees comprising amounts due initially upon entering into the arrangements as well as additional amounts due either on specified timelines or defined services to be provided.

[ii] Milestone payments that are dependent on products developed under the arrangements proceeding towards specified plans of clinical trials and commercial development.

[iii] Royalty payments calculated as a percentage of net sales commencing upon commercial sales of any product candidates developed as a result of such know-how or technology.

At December 31, 2003, the Company's commitments under the above arrangements for the next five years and thereafter are as follows:

	$
2004	1,297
2005	107
2006	107
2007	107
2008 and annually thereafter	107
	1,725

The amounts above are principally comprised of fee-related committed research and licence payments and potential milestone payments due in 2004. Other milestone and royalty-related amounts that may become due under the various arrangements are dependent on, among other factors, products identified as investigational new drugs, clinical trials, regulatory approvals and ultimately the successful development of a new drug, the outcome and timing of which is uncertain.

Amounts due per the various agreements for milestone payments will be accrued once the occurrence of a milestone is likely. Amounts due as royalty payments will be accrued as commercial revenues from the product are earned.

The Company periodically enters into research agreements or strategic alliances with third parties that include indemnification provisions that are customary in the industry. These guarantees generally require the Company to compensate the other party for certain damages and costs incurred as a result of third party intellectual property claims or damages arising from these transactions. In some cases, the maximum potential amount of future payments that could be required under these indemnification provisions is unlimited. These indemnification provisions generally survive termination of the underlying agreement. The nature of the intellectual property indemnification obligations prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay. Historically, the Company has not made any indemnification payment under such agreements and no amount has been accrued in the accompanying financial statements with respect to these indemnification obligations.

[b] The Company's future minimum commitments under capital and operating leases for premises for the next five years are as follows:

	$
2004	309
2005	304
2006	202
2007	200
2008	100
	1,115

The capital lease for computer equipment expires May 2006 and interest is paid on the outstanding balance at 9.125% per annum.

Certain premises, the commitments for which are included in the above table, are leased from an affiliate of Mr. Leslie Dan at an estimated annual rent of $181,600 for 2004, $189,225 for 2005, $197,900 for 2006 and $200,300 thereafter. The lease expires on June 30, 2008.

[c] During the year ended December 31, 2001, the Company filed a claim against the National Research Council Canada [''NRC''] and certain individuals employed by the NRC with respect to a dispute of co-inventorship regarding specific aspects of one of the Company's technologies and the related patents and patent applications.

On June 12, 2002, an agreement was reached in principle. As part of this agreement, the Company retains the right to the intellectual properties. In return, the Company is obligated to make royalty payments should the Company generate revenue from the intellectual properties in question.

In December 2003 a formal agreement reflecting the terms of the agreement was executed and all related claims were dropped.

[d] In September 2001, an action was commenced by First Monitor Canada Inc. (''First Monitor'') against the Company and seven other parties in connection with an alleged breach of a distribution agreement between First Monitor and Novopharm Ltd. First Monitor is seeking damages in the amount of $20,000,000. Management considers the action to be without merit.

[e] During the ordinary course of business activities, the Company may be contingently liable for litigation and a party to claims. Management believes that adequate provisions have been made in the accounts where required. Although it is not possible to estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies will not have an adverse effect on the financial position of the Company.

14. SEGMENTED INFORMATION

The Company operates in a single industry and is engaged in biopharmaceutical research and development activities primarily carried out in Canada.

All of the Company's assets are located in Canada.

15. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2003 financial statements.

16. SUBSEQUENT EVENT

[a] On January 7, 2004, the President and Chief Executive Officer resigned. Pursuant to the resignation agreement with the Company, the total severance benefits that are to be paid out in 2004 and 2005 total up to $492,500.

[b] On January 16, 2004, the Company received a bridge financing loan of $1,200,000 from its principal shareholder, Leslie Dan. The loan bears interest at 4.5% per annum and is repayable on demand.

[c] On February 13, 2004, the Company received a bridge financing loan of $1,500,000 from its principal shareholder, Leslie Dan. The loan bears interest at 4.5% per annum and is repayable on demand.

[d] On April 1, 2004, the Company received a bridge financing loan of $700,000 from its principal shareholder, Leslie Dan. The loan bears interest at 4.5% per annum and is repayable on demand.

[e] On ● , 2004, the Company received a bridge financing loan of ● from its principal shareholder, Leslie Dan. The loan bears interest at ● % per annum and is repayable on demand.

[f] On ● , 2004, the Company entered into an agreement with the holders of the convertible debentures [*note 7*] pursuant to which they have agreed that the convertible debentures will not automatically convert into units on the completion of the offering [*note 16 [g]*], and, in addition, have agreed not to exercise their right to conversion prior to the earlier of: (i) the termination of the offering; (ii) the closing of the offering; and (iii) May 24, 2004.

[g] The Company entered into an agency agreement dated ● , 2004 (the ''Agreement'') under which it agreed to file a prospectus to qualify for distribution up to ● common shares and ● common share purchase warrants (''Warrants'') in the capital of the Company to be issued to investors as units (''Units'') consisting of one common share and one-half of one Warrant at a price of $ ● per Unit. Each Warrant, expiring two years after issuance, will entitle the holder thereof to purchase one common share, subject to adjustment in certain circumstances, at a price of $ ● per common share. It is a condition of the offering that the Company's shareholders approve, at the special meeting to be held on May 7, 2004, a special resolution authorizing the consolidation of the Company's issued and outstanding common shares on a ten for one basis, as announced on March 9, 2004. It is also intended that shareholders will be asked, at that meeting, to approve an increase in the number of common shares reserved for issuance pursuant to the Plan from 6,000,000 to 26,000,000 common shares, after giving effect to the above-mentioned common share consolidation. It is also a condition of the Offering that the Company's principal shareholders purchase 40% of the Units offered pursuant to the Offering, up to a maximum of $14,000,000. In addition, the Company granted the Agents an option (the ''Over-Allotment Option'',) exercisable for a period of 60 days from closing of the Offering, to purchase additional Units up to an aggregate of 15% of the Units issued pursuant to the same terms. The Agreement provides for an agents' commission equal to 7% of the gross proceeds of the sale of the Units, including the Over-Allotment Option, except that such commission will be equal to 3.5% of the proceeds on the sale of Units to the principal shareholders subject to a maximum of $350,000. As additional consideration, the Agents will receive, for no additional consideration, non-assignable broker warrants entitling them to purchase a number of common shares equal to 7% of the number of common shares underlying the Units issued to investors other than the principal shareholder pursuant to the Offering, including the Over-Allotment Option.

AUDITORS' CONSENT

TO: The Board of Directors of Viventia Biotech Inc.

We have read the prospectus of Viventia Biotech Inc. (the ''Company'') dated ● , 2004 relating to the issue and sale of ● Units of the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the directors on the balance sheets of the Company as at December 31, 2003 and 2002 and the statement of loss and deficit and cash flows for each of the years in the three year period ended December 31, 2003. Our report is dated March 5, 2004 (except as to notes 16 [d], [e], [f] and [g], which are as at ● , ● , ● and ● , 2004, respectively).

●
Chartered Accountants

Toronto, Canada
● , 2004

CERTIFICATE OF THE COMPANY

Date: April 13, 2004

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part VII of *The Securities Act* (Manitoba), and by Part XV of the *Securities Act* (Ontario), and the respective regulations thereunder. This prospectus, as required by the *Securities Act* (Québec) and the regulations thereunder, does not contain any misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

(Signed) DR. NICK GLOVER
President and Chief Executive Officer

(Signed) MR. MICHAEL BYRNE
Chief Financial Officer and
Corporate Secretary

On behalf of the Board of Directors

(Signed) DR. MARTIN BARKIN
Director

(Signed) DR. LOUIS SIMINOVITCH
Director

CERTIFICATE OF THE AGENTS

Date: April 13, 2004

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part VII of *The Securities Act* (Manitoba), and by Part XV of the *Securities Act* (Ontario), and the respective regulations thereunder. To our knowledge, this prospectus, as required by the *Securities Act* (Québec) and the regulations thereunder, does not contain any misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

DUNDEE SECURITIES CORPORATION

(Signed) RONALD P. VINET

CANACCORD CAPITAL CORPORATION

(Signed) JEAN-YVES BOURGEOIS

JENNINGS CAPITAL INC.

(Signed) NANCY PECK

WELLINGTON WEST CAPITAL INC.

(Signed) BRENT BOTTOMLEY

RESEARCH CAPITAL CORPORATION

(Signed) BETH SHAW

VIVENTIA

BIOTECH INC.

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