This is a preliminary prospectus relating to these securities, a copy of which has been filed with the securities commission or other regulatory authority in each of the provinces of Ontario, British Columbia and Alberta in Canada, but which has not yet become final for the purpose of a distribution or a distribution to the public. Information contained herein is subject to completion or amendment. These securities may not be sold to, nor may offers to buy be accepted from, residents of such jurisdictions prior to the time a receipt for the final prospectus is obtained from the appropriate securities commission or other regulatory authority.

Preliminary Prospectus dated March 31, 2000

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. These securities are being issued in connection with the exercise of Special Warrants of the Company. See "Plan of Distribution".

The securities offered under this prospectus have not been and will not be registered under the United Stated Securities Act of 1933, as amended, or any state securities laws and, subject to certain exceptions, may not be offered or sold within the United States or to any U.S. person. 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 or to U.S. persons. See "Plan of Distribution".

New Issue

TM BIOSCIENCE CORPORATION

$4,850,003
20,000,009 Common Shares and 17,500,007 Warrants
to be issued upon the exercise of 20,000,009 Special Warrants

Tm Bioscience Corporation ("Tm" or the "Company") is hereby qualifying for distribution in the Provinces of Ontario, British Columbia and Alberta, 20,000,009 common shares in the capital of Tm (the "Common Shares"), 10,000,001 series A common share purchase warrants of Tm (the "Series A Warrants") and 7,500,006 series B common share purchase warrants of Tm (the "Series B Warrants" and, together with the Series A Warrants, the "Warrants") which will be distributed to the holders of 10,000,001 series A special warrants of Tm (the "Series A Special Warrants") and 10,000,008 series B special warrants of Tm (the "Series B Special Warrants" and, together with the Series A Special Warrants, the "Special Warrants") upon the exercise by or on behalf of such holders of their right to acquire, subject to adjustment in certain circumstances, without additional payment, in the case of the Series A Special Warrants, one Common Share and one Series A Warrant for each Series A Special Warrant held by them, and, in the case of the Series B Special Warrants, one Common Share and three-quarters of one Series B Warrant for each Series B Special Warrant held by them. Each whole Series A Warrant will entitle the holder thereof to purchase one Common Share, subject to adjustment in certain circumstances, at a price of $0.18 per Common Share at any time at or prior to 5:00 p.m. (Toronto time) on January 31, 2002. Each whole Series B Warrant will entitle the holder thereof to purchase one Common Share, subject to adjustment in certain circumstances, at a price of $0.35 per Common Share at any time at or prior to 5:00 p.m. (Toronto time) on February 7, 2002.

An aggregate of 8,888,889 Series A Special Warrants were issued by the Company on January 31, 2000 at a price of $0.135 per Series A Special Warrant for aggregate gross proceeds of $1,200,000 pursuant to a special warrant indenture dated as of January 31, 2000, and as amended and supplemented by a supplemental series A special warrant indenture dated as of February 7, 2000 (the special warrant indenture as amended and supplemented by the supplemental special warrant indenture being referred to herein as the "Series A Special Warrant Indenture"), between the Company and CIBC Mellon Trust Company ("CIBC Mellon"), as special warrant agent (the "Special Warrant Agent"). An aggregate of 1,111,112 Series A Special Warrants were issued by the Company on February 7, 2000 at a price of $0.135 per Series A Special

Warrant for aggregate gross proceeds of $150,000 pursuant to the Series A Special Warrant Indenture. An aggregate of 10,000,008 Series B Special Warrants were issued by the Company at a price of $0.35 per Series B Special Warrant for aggregate gross proceeds of $3,500,003 pursuant to a special warrant indenture (the "Series B Special Warrant Indenture") dated as of February 7, 2000 between the Company and CIBC Mellon, as Special Warrant Agent.

The offer and sale of 8,888,889 Series A Special Warrants on January 31, 2000 was arranged by Yorkton Securities Inc. (the "Agent") pursuant to an agency agreement (the "First Agency Agreement") dated as of January 31, 2000 between the Agent and the Company. The offer and sale of 1,111,112 Series A Special Warrants and 10,000,008 Series B Special Warrants on February 7, 2000 was also arranged by the Agent pursuant to an agency agreement dated as of January 31, 2000 (the "Second Agency Agreement" and, together with the First Agency Agreement being referred to herein as the "Agency Agreements") between the Agent and the Company. The price of the Special Warrants was determined by negotiation between the Company and the Agent with reference to the market price of the Common Shares and the value ascribed to the Warrants issuable upon exercise of the Special Warrants. No additional funds are to be received by the Company from the distribution of the Common Shares and Warrants issuable upon exercise of the Special Warrants.

	Price to Subscribers[(1)]	Agent's Fee[(2)]	Net Proceeds to the Company[(3)]
Per Series A Special Warrant	$0.135	$0.005	$0.13
Per Series B Special Warrant	$0.35	$0.012	$0.338
Total Offering	$4,850,003.00	$169,750.00	$4,680,253.00

Notes:

(1) The issue price per Series A Special Warrant and the issue price per Series B Special Warrant was determined by negotiating between the Company and the Agent with reference to the market price of the Common Shares and the value ascribed to the Warrants issuable upon exercise of the Special Warrants. The proceeds from the sale of the Special Warrants were released to the Company on January 31, 2000 and February 7, 2000, as the case may be.

(2) The Agent received a 3.5% commission on the sale of the 20,000,009 Special Warrants. No additional fee will be payable to the Agent in connection with the issuance of the Common Shares and Warrants upon the exercise of the Special Warrants and no additional fee will be payable to the Agent in connection with the issuance of the Common Shares upon the exercise of the Warrants. As additional consideration, the Company granted to the Agent non-assignable first compensation warrants of Tm (the "First Compensation Warrants") to acquire, for no additional consideration, 1,000,000 first compensation options (the "First Compensation Options"). Each First Compensation Option entitles the Agent to purchase any time until January 31, 2002, one unit (the "First Unit") consisting of one Common Share and one Series A Warrant, subject to adjustment in certain circumstances, at an exercise price of $0.135 per First Unit. Also as additional consideration, the Company granted to the Agent non-assignable second compensation warrants of Tm (the "Second Compensation Warrants") to acquire, for no additional consideration, 1,000,000 second compensation options of Tm (the "Second Compensation Options"). Each Second Compensation Option entitles the Agent to purchase any time until February 7, 2002, one unit (the "Second Unit") consisting of one Common Share and three-quarters (3/4) of one Series B Warrant, subject to adjustment in certain circumstances, at an exercise price of $0.35 per Second Unit. This prospectus also qualifies the distribution of 500,000 of the First Compensation Options and 500,000 of the Second Compensation Options (together, the "Agent's Compensation Options"). See "Plan of Distribution".

(3) Before deducting expenses of this offering, including the preparation of this prospectus, estimated to be $300,000, which will be paid by the Company.

All of the Series A Special Warrants issued on January 31, 2000 may be exercised at or prior to 5:00 p.m. (Toronto time) on the date which is the earlier of (the "First Time of Expiry"): (i) the fifth business day after the date (the "Clearance Date") on which a receipt has been issued by the last of the applicable Canadian securities regulatory authorities for the (final) prospectus of the Company qualifying the distribution of the Common Shares and the Warrants issuable on the exercise of the Special Warrants; and (ii) July 31, 2001. All of the Series A Special Warrants issued on February 7, 2000 may be exercised at or prior to 5:00 p.m. (Toronto time) on the date which is the earlier of (the "Second Time of Expiry"): (i) the fifth business day after the Clearance Date; and (ii) August 7, 2001. All of the Series B Special Warrants may be exercised at or prior to 5:00 p.m. (Toronto time) on the Second Time of Expiry. All Special Warrants which have not been exercised prior to the First Time of Expiry or Second Time of Expiry, as the case may be, will be exercised by the Special Warrant Agent on behalf of the holders thereof immediately prior to such time.

If the Clearance Date does not occur by May 30, 2000 (the "Qualification Deadline"), a holder of Series A Special Warrants will be entitled to acquire upon exercise, without additional payment, 1.1 Common Shares (in lieu of one Common Share) and 1.1 Series A Warrants (in lieu of one Series A Warrant) per Series A Special Warrant pursuant to the terms of the Series A Special Warrant Indenture. If the Clearance Date does not occur prior to the Qualification Deadline, a holder of Series B Special Warrants will be entitled to acquire upon exercise, without additional payment, 1.1 Common Shares (in lieu

of one Common Share) and 0.825 of one Series B Warrant (in lieu of three-quarters of one Series B Special Warrant) per Series B Special Warrant pursuant to the terms of the Series B Special Warrant Indenture.

The outstanding Common Shares are listed on the Canadian Venture Exchange Inc. (the "CDNX"). CDNX has approved the listing of the additional Common Shares issuable upon exercise of the Special Warrants, Warrants and Agent's Compensation Options. **There is no market through which the Warrants may be sold.** On January 9, 2000, the last day of trading before the Special Warrant offering was announced, the closing price of the Common Shares on the CDNX was $0.18 per Common Share.

Investment in the Common Shares and the Warrants is highly speculative and involves a high degree of risk and should only be considered by those persons who can afford a total loss of their investment. See "Risk Factors".

After giving effect to the issuance of 10,000,001 Common Shares upon the exercise or deemed exercise of the Series A Special Warrants and without giving effect to the issuance of 10,000,008 Common Shares upon the exercise or deemed exercise of the Series B Special Warrants or the exercise of the Agent's Compensation Options, the effective price paid for each Common Share issued upon exercise or deemed exercise of the Series A Special Warrants, being $0.135, exceeds the net tangible book value per Common Share as at December 31, 1999, by $0.106 per Common Share, representing a dilution factor of 79%. After giving effect to the issuance of 10,000,008 Common Shares upon the exercise or deemed exercise of the Series B Special Warrants and without giving effect to the issuance of 10,000,001 Common Shares upon the exercise or deemed exercise of the Series A Special Warrants or the exercise of the Agent's Compensation Options, the effective price paid for each Common Share issued upon exercise or deemed exercise of the Series B Special Warrants, being $0.35, exceeds the net tangible book value per Common Share as at December 31, 1999, by $0.295 per Common Share, representing a dilution factor of 84%. After giving effect to the issuance of 10,000,001 Common Shares upon the exercise or deemed exercise of the Series A Special Warrants and the issuance of 10,000,008 Common Shares upon the exercise or deemed exercise of the Series B Special Warrants and without giving effect to the exercise of the Agent's Compensation Options, the effective blended price paid for each Common Share issued upon exercise or deemed exercise of the Series A Special Warrants and the Series B Special Warrants, being $0.243, exceeds the net tangible book value per Common Share as at December 31, 1999, by $0.179 per Common Share, representing a dilution factor of 74%.

Definitive certificates evidencing the Common Shares and the Warrants will be available for delivery no later than five business days after the date of exercise of such Special Warrants.

Certain legal matters relating to the distribution of the Special Warrants and this prospectus were passed upon by Torys, on behalf of the Company, and by Burstall Ward, on behalf of the Agent.

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All dollar references or references to "$" in this prospectus are to Canadian dollars unless otherwise stated.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information appearing elsewhere in this prospectus. Certain terms used herein are defined in the "Glossary of Terms" following this summary.

The Company

Tm is a genomics company which is in the business of developing enabling technologies that apply to the processes of drug discovery and patient diagnosis. Tm has developed two platform technologies that it believes have direct application to DNA microarray technologies and other DNA-based assays. The Company refers to these two platforms as HybAssist and SignalAssist, respectively. A key feature of the Company's technologies is that they can be applied individually or collectively.

HybAssist consists of three proprietary technologies - Sequence Design Engine, Hairpin Capture Probes and Ligand Controlled Hybridization. The Company believes that each of these three technologies addresses key issues affecting the current application of DNA microarray technology.

The Company believes that SignalAssist will significantly improve the sensitivity of detection for most types of DNA detection systems, including applications of DNA microarrays. Because this technology may be applied to nucleic acid or immunologic detection tests, the Company believes that it may advance existing applications. See "Business of the Company - Intellectual Property".

The Company's two-part strategy is to work towards the design and manufacture of a whole-solution product for direct sale to end-users through marketing partnerships or distribution agreements, while also working with external commercial partners to apply its technologies in a way that improves the performance of the partners' products. See "Business of the Company - Business Strategy".

Tm has entered into various commercial agreements involving the application of its technologies. See "Business of the Company - Current Business Opportunities".

The Offering

Issue:	20,000,009 Common Shares and 17,500,007 Warrants, subject to adjustment in certain circumstances, issuable upon the exercise of 20,000,009 previously issued Special Warrants.
Price:	No additional price payable for the exercise of Special Warrants.
Warrants:	Each whole Series A Warrant will entitle the holder thereof to purchase one Common Share, subject to adjustment in certain circumstances, at a price of $0.18 per Common Share at any time at or prior to 5:00 p.m. (Toronto time) on January 31, 2002. The Series A Warrants will be issued pursuant to a warrant indenture dated as of January 31, 2000 between the Company and CIBC Mellon, as warrant agent (the "Warrant Agent"), as amended and supplemented by a supplemental warrant indenture dated as of February 7, 2000 (the warrant indenture, as amended and supplemented by the supplemental warrant indenture, being referred to herein as the "Series A Warrant Indenture"). See "Plan of Distribution" and "Common Shares and Warrants". Each whole Series B Warrant will entitle the holder thereof to purchase one Common Share, subject to adjustment in certain circumstances, at a price of $0.35 per Common Share at any time at or prior to 5:00 p.m. (Toronto time) on February 7,

2002. The Series B Warrants will be issued pursuant to a warrant indenture (the "Series B Warrant Indenture") dated as of February 7, 2000 between the Company and the Warrant Agent. See "Plan of Distribution" and "Common Shares and Warrants".

Special Warrants:

10,000,001 Series A Special Warrants were issued and sold by the Company for consideration of $0.135 per Series A Special Warrant for aggregate gross proceeds of $1,350,000. Each Series A Special Warrant entitles the holder thereof to receive, upon exercise and without additional payment, one Common Share and one Series A Warrant, subject to adjustment in certain circumstances. 10,000,008 Series B Special Warrants were issued and sold by the Company for a consideration of $0.35 per Series B Special Warrant for aggregate gross proceeds of $3,500,003. Each Series B Special Warrant entitles the holder thereof to receive, upon exercise and without additional payment, one Common Share and three-quarters of one Series B Warrant, subject to adjustment in certain circumstances.

The offer and sale of the Special Warrants was arranged by the Agent pursuant to the Agency Agreements.

If the Clearance Date does not occur prior to the Qualification Deadline, a holder of Series A Special Warrants will be entitled to acquire upon exercise, without additional payment, 1.1 Common Shares (in lieu of one Common Share) and 1.1 Series A Warrant (in lieu of one Series A Warrant) per Series A Special Warrant pursuant to the terms of the Series A Special Warrant Indenture. If the Clearance Date does not occur prior to the Qualification Deadline, a holder of Series B Special Warrants will be entitled to acquire upon exercise, without additional payment, 1.1 Common Shares (in lieu of one Common Share) and 0.825 Series B Warrants (in lieu of 0.75 Series B Warrants) per Series B Special Warrant pursuant to the terms of the Series B Special Warrant Indenture.

All of the Series A Special Warrants issued on January 31, 2000 may be exercised at or prior to 5:00 p.m. (Toronto time) on the date which is the earlier of (the "First Time of Expiry"): (i) the fifth business day after the date (the "Clearance Date") on which a receipt has been issued by the last of the applicable Canadian securities regulatory authorities for the (final) prospectus of the Company qualifying the distribution of the Common Shares and the Warrants issuable on the exercise of the Special Warrants; and (ii) July 31, 2001. All of the Series A Special Warrants issued on February 7, 2000 may be exercised at or before 5:00 p.m. (Toronto time) on the date which is the earlier of (the "Second Time of Expiry"): (i) the fifth business day after the Clearance Date; and (ii) August 7, 2001. All of the Series B Special Warrants may be exercised at or before 5:00 p.m. (Toronto time) on the Second Time of Expiry. All Special Warrants which have not been exercised prior to the First Time of Expiry or Second Time of Expiry, as the case may be, will be exercised by the Special Warrant Agent on behalf of the holders thereof immediately prior to such time.

See "Plan of Distribution".

Use of Proceeds:	The estimated net proceeds to the Company from the offering of the Special Warrants, after deducting fees payable to the Agent and the expenses of this offering, will be approximately $4,380,253. The Company will use approximately $462,000 of the proceeds of the offering of the Special Warrants to retire current accounts payable, approximately $200,000 to purchase capital equipment, and the balance of the net proceeds of this offering, being $3,718,253, for funding its operations, including to continue developing commercial applications, hire additional staff and for general working capital purposes. The Company plans to invest the proceeds of the offering of the Special Warrants in investment grade securities pending such use. See "Use of Proceeds".
Dilution:	After giving effect to the issuance of 10,000,001 Common Shares upon the exercise or deemed exercise of the Series A Special Warrants and without giving effect to the issuance of 10,000,008 Common Shares upon the exercise or deemed exercise of the Series B Special Warrants or the exercise of the Agent's Compensation Options, the effective price paid for each Common Share issued upon exercise or deemed exercise of the Series A Special Warrants, being $0.135, exceeds the net tangible book value per Common Share as at December 31, 1999, by $0.106 per Common Share, representing a dilution factor of 79%. After giving effect to the issuance of 10,000,008 Common Shares upon the exercise or deemed exercise of the Series B Special Warrants and without giving effect to the issuance of 10,000,001 Common Shares upon the exercise or deemed exercise of the Series A Special Warrants or the exercise of the Agent's Compensation Options, the effective price paid for each Common Share issued upon exercise or deemed exercise of the Series B Special Warrants, being $0.35, exceeds the net tangible book value per Common Share as at December 31, 1999, by $0.295 per Common Share, representing a dilution factor of 84%. After giving effect to the issuance of 10,000,001 Common Shares upon the exercise or deemed exercise of the Series A Special Warrants and the issuance of 10,000,008 Common Shares upon the exercise or deemed exercise of the Series B Special Warrants and without giving effect to the exercise of the Agent's Compensation Options, the effective blended price paid for each Common Share issued upon exercise or deemed exercise of the Series A Special Warrants and the Series B Special Warrants, being $0.243, exceeds the net tangible book value per Common Share as at December 31, 1999, by $0.179 per Common Share, representing a dilution factor of 74%. See "Dilution".
Risk Factors:	An investment in the Common Shares and Warrants of the Company is highly speculative and involves significant risks due to several factors, including, without limitation: (i) the Company's history of operating losses; (ii) the developmental stage of the Company; (iii) the Company's reliance on new products and technology; (iv) the Company's dependence on patents and proprietary technology; (v) the Company's dependence on collaborative partners; (vi) intense competition; (vii) the Company's dependence on key personnel; (viii) management of growth; (ix) possible volatility of share price; (x) shareholder's risk of suffering dilution; (xi) the Company's potential inability to raise future capital; (xii) government regulation; and (xiii) environmental and scientific regulations. See "Risk Factors".
Dividend Policy:	The Company intends to retain future earnings to finance the growth and development of its business and, accordingly, does not anticipate paying cash dividends on its Common Shares in the foreseeable future. See "Dividend Policy".
Trading Symbol:	"TMC" on the Canadian Venture Exchange Inc. ("CDNX"). See "Price Range and Trading Volumes".

Selected Consolidated Financial Information

The following selected consolidated financial information is derived from the audited consolidated financial statements included elsewhere in this prospectus and should be read in conjunction with these financial statements and management's discussion and analysis.

Consolidated Statement of Operations Data

	Year Ended December 31,		
	1999 $	1998 $	1997 $
Interest income	112,114	210,647	37,570
Collaborative research funding	56,093	—	—
Research and development	1,299,174	2,986,643	1,482,399
General and administrative	1,586,651	1,442,313	807,646
Restructuring charge	—	1,100,000	—
Patents	321,631	306,285	114,936
Amortization	225,209	232,568	47,494
Interest	—	289,563	31,233
Net loss	(3,264,458)	(6,146,725)	(2,446,138)
Loss per common share	(0.05)	(0.11)	(0.06)

Consolidated Balance Sheet Data

	Year Ended December 31,	
	1999 $	1998 $
Current assets	1,083,749	9,748,938
Capital and other assets	455,205	734,190
Total assets	1,538,954	10,483,128
Current liabilities	461,609	6,368,982
Shareholders' equity	1,077,345	4,114,146

GLOSSARY OF TERMS

The following is a glossary of terms which are used in this prospectus to describe the business of the Company and the industry in which the Company operates.

"amino acid"	a building block of protein. Each protein consists of a specific sequence of amino acids (with the sequence of amino acids determined by the sequence of the underlying DNA). There are 20 types of amino acid molecules that make up proteins.
"base pair"	a pair of nucleotides on complementary strands of DNA or RNA. Each nucleotide base can pair with only one of the three other bases, thereby determining the sequence of a complementary strand.
"bases"	nitrogenous molecules associated with each sub-unit in a strand of DNA. Hydrogen bonds form between bases to make the component strands of DNA into a double helix. There are four bases in DNA, referred to as A (adenine), T (thymine), G (guanine) and C (cytosine).
"biochip"	a thumbnail sized chip containing thousands of DNA probes used in medical diagnostic tests and in gene expression analysis for pharmaceutical development.
"bioinformatics"	the science of mining and studying huge volumes of DNA related sequence data.
"cDNA (complementary DNA)"	a single-stranded DNA molecule which is complementary to a specific RNA molecule and is synthesized from it. Complementary DNA's are important laboratory tools which serve as DNA probes and assist with the isolation and study of individual genes.
"chromosome"	a biological structure composed of DNA and protein which is found in the nuclei of cells.
"complementary"	the opposite or "mirror" image of a DNA sequence. A complementary DNA sequence has an "A" for every "T" and a "C" for every "G". Two complementary strands of single stranded DNA will join to form a double-stranded molecule.
"DNA"	the abbreviation for deoxyribonucleic acid, the self replicating material present in living organisms. This molecule is a constituent of chromosomes and is the carrier of the genetic code.
"DNA chip"	a high density array of short DNA molecules bound to a solid surface which facilitates high throughput analysis of thousands of genes simultaneously. The DNA chip represents a very powerful tool capable of probing a biological sample to determine gene expression, marker pattern or nucleotide sequence of DNA/RNA.

“DNA probe”	a single-stranded DNA molecule used in laboratory experiments to detect the presence of a complementary sequence among a mixture of other singled-stranded DNA molecules.
“DNA profile”	the distinctive pattern of DNA restriction fragments or PCR products that can be used to identify, with great certainty, any person, biological sample from a person, or organism from the environment.
“DNA sequencing”	determining the order of nucleotides in a specific DNA molecule.
“double helix”	the form in which DNA exists in nature, first discovered by the scientists Watson and Crick in 1953.
“enzyme”	a biological catalyst that either speeds up or slows down a biochemical reaction but does not itself undergo any permanent chemical change.
“functional genomics”	the field of study that attempts to determine the function of all genes (and gene products) based on knowledge of the entire DNA sequence of an organism.
“gene”	the fundamental unit of heredity; a bundle of information for a specific biological structure or function.
“gene expression profiling”	The determination of the expression level (or abundance) of genes. Gene expression profiling experiments usually involve the comparison of two samples (i.e. cells exposed vs. not exposed to a drug; heart cells vs. kidney cells, or; normal cell vs. cancerous cells) using DNA array technology.
“gene library”	a collection of DNA fragments (carried on vector molecules) which, taken together, represents the total DNA of a certain cell type or organism.
“gene mapping”	determining the relative locations of different genes on a chromosome. During the gene mapping process, genetic markers located at or near important genes are identified.
“gene therapy”	the delivery of genetic material to a target cell, resulting in the expression of the delivered genetic material by the target cell.
“genetic code”	the language in which DNA’s instructions are written. The code consists of triplets of nucleotides (codons), with each triplet corresponding to one amino acid in a protein structure or to a signal to start or stop protein production.
“genetic engineering”	the manipulation of genes, composed of DNA, to create heritable changes in biological organisms and products that are useful to people, living things, or the environment.
“genome”	the complete genetic repertoire of an organism.

“genomic analysis”	any process by means of which information can be extracted from raw DNA sequences.
“genomics”	the field of study that uses powerful computer technology to understand the structure and function of all genes in an organism based on knowledge of the organism’s entire DNA sequence.
“hairpin”	a nucleic acid structure resembling a bobby pin, formed by the intermolecular pairing of single stranded nucleic acid.
“hairpin capture probe”	a proprietary molecular design that hybridizes to single-stranded DNA sequences of interest.
“homologous”	stretches of DNA that are so similar in sequence that they tend to stick together in hybridization experiments. Homologous can also be used to indicate related genes in separate organisms controlling similar phenotypes.
“homology searches”	a method used to identify compositional or functional similarities between two or more DNA sequences.
“human genome project”	an international research effort (led in the United States by the National Institutes of Health and the Department of Energy) aimed at identifying and ordering every base in the human genome. The project is expected to be completed by 2003.
“hybridize”	to pair complementary single DNA strands to produce a hybrid double-stranded molecule.
“immunoassay”	a method used to detect specific proteins.
“ligand”	a small organic or inorganic molecule that interacts with nucleic acids (DNA and RNA).
“messenger RNA (mRNA)”	the ribonucleic acid molecule that transmits the genetic information from the nucleus to the cytoplasm, where it directs protein synthesis.
“microarray”	a large set of DNA molecules arranged in an orderly fashion and spotted onto a solid matrix such as a microscope slide. A Microarray provides a medium for matching known and unknown DNA samples based on base-pairing rules and allows for the automation of the process of identifying unknown DNA samples for use in probing a biological sample to determine gene expression, marker pattern or nucleotide sequence of DNA/RNA.
“molecular biology”	general term referring to study of the structure and function of proteins and nucleic acids; may be used as a synonym for genetic engineering or recombinant DNA techniques.
“molecule”	a group of atoms bonded together to form a stable composition of matter.

“mutation”	a permanent change in genetic material involving either a physical alteration in the chromosome or a biochemical change in the underlying DNA molecule.
“mutational stability”	the ability of a particular DNA sequence to resist mutation.
“normalization”	the Company’s term for a biochip enabling technology which ensures that all DNA sequences hybridize within a narrow range of conditions, independent of sequence composition.
“oligo”	oligo is an abbreviation of oligonucleotide, which is a short sequence of nucleic acids (generally fewer than 100 bases). Synthetic oligonucleotides are used, for example, as probes to detect the presence of a complementary DNA sequence.
“pathogen”	any infectious agent which adversely affects its host.
“pharmacogenomics”	the marriage of functional genomics and molecular pharmacology. The goal of pharmacogenomics is to find correlations between therapeutic responses to drugs and the genetic profiles (or sequence variation) of patients, and use this information to discover novel, highly effective therapies.
“phenotype”	a biological characteristic or trait possessed by an organism that results from the expression of a specific gene.
“polymerase”	an enzyme involved in the synthesis and repair of DNA.
“polymerase chain reaction (PCR)”	a powerful technique for producing millions of copies of a specific region of DNA using a DNA replicating enzyme, specific oligonucleotide primers, and repeated cycles of heating and cooling. PCR has been instrumental in major breakthroughs in diagnostic kit development, forensic medicine, and the detection of genes associated with inborn errors of metabolism.
“polymorphic domains”	regions of DNA that contain variations in sequence.
“polymorphisms”	naturally occurring variations in the DNA sequence.
“promoter”	a DNA sequence preceding a gene that contains regulatory sequences controlling the rate of RNA transcription of that gene. In effect, promoters control when and in which cells a given gene will be expressed.
“protein”	a molecule composed of amino acids arranged in a special order determined by the genetic code. Proteins are required for the structure and function of all living organisms.
“reactivity”	the ability of a molecule to enter into chemical reactions.
“recombinant DNA”	a hybrid DNA molecule produced in the laboratory by joining pieces of DNA from different sources.

"RNA"	ribonucleic acid, a chemical similar to DNA but having a slightly different structure. It is normally made by transcription from a DNA molecule and it is mostly associated with the synthesis of proteins.
"sequence dependent reactivity"	a measure of a specific DNA sequence's propensity to enter into a reaction.
"sequencing"	the process of determining the exact sequence of part of a DNA molecule.
"SNPs"	single-nucleotide polymorphisms (SNPs) are single-base variations in the genetic code that occur approximately every 1000 bases along the three billion bases of the human genome. Researchers believe that gaining knowledge of the locations of these closely-spaced DNA landmarks will ease both the sequencing of the genome and the discovery of genes related to such major human diseases such as asthma, diabetes, heart disease, schizophrenia and cancer.
"theranostics"	the marriage of drug therapy and diagnostics. The goal of theranostics is to perform a diagnostic test that aids in the selection of patients and has the ability to monitor the biological effects of a drug therapy rapidly, at the point of care.
"toxicogenomics"	the marriage of functional genomics and molecular toxicology. The goal of toxicogenomics is to find correlations between toxic responses to toxicants and changes in the genetic profiles of the objects exposed to such toxicants.
"transcription"	the transfer of information from specific sequences in a DNA molecule to produce new strands of messenger RNA, which then carry this information from the nucleus to the cytoplasm (where the messenger RNA is translated into protein).

CORPORATE STRUCTURE AND HISTORY

The Company was incorporated as GFY Resources Inc. on December 19, 1980 under the *Business Corporations Act* (Ontario). On January 20, 1981, its name was changed to Dasher Resources Ltd. and on June 21, 1991, its name was changed to Consolidated Dasher Resources Inc. ("Dasher"). Pursuant to a reverse take-over in 1993, Dasher was acquired by the founders of the business of Tm. The name of Dasher was changed to Tm Technologies Corp. on April 16, 1993. The name was then changed to Tm Bioscience Corporation on July 11, 1997. The business currently carried on by Tm commenced in 1993.

The Company's wholly-owned subsidiary, Tm Technologies, Inc., was incorporated under the laws of the State of Delaware on July 27, 1992. Tm Technologies, Inc. has been inactive since 1998.

The Company's registered office and principal place of business is located at 439 University Avenue, 11th Floor, Toronto, Ontario M56 1Y8. The Company's telephone number is (416) 593-4323. The Company is a reporting issuer in the provinces of Ontario, British Columbia, Alberta and Quebec and its Common Shares are currently traded on the CDNX under the symbol "TMC". References in this prospectus to "Tm" or the "Company" include its subsidiary if the context permits.

BUSINESS OF THE COMPANY

Overview

Tm Bioscience Corporation ("Tm" or the "Company") is a genomics company currently engaged in the business of developing enabling technologies that apply to the processes of drug discovery and patient diagnosis. The Company's products are intended for use in the healthcare industry in connection with the development of genomic-based therapeutic and diagnostic products.

Tm applies the proprietary DNA hybridization control technologies of its HybAssist platform to broad scope DNA detection systems including DNA microarrays. Tm believes that the integration of its HybAssist platform to DNA microarrays will generate a genomics technology platform that is capable of meeting the increasing commercial demands for a reproducible and accurate ultra-high throughput DNA screening and analysis system.

The Company believes that its SignalAssist technology will improve the sensitivity of detection for all types of DNA detection systems, including applications of DNA microarrays. Because this technology may be applied to nucleic acid or immunologic detection tests, the Company believes that it may advance existing applications and could result in revenues to the Company.

To realize maximum value from its technologies, Tm intends to develop it's own DNA microarray technology platform for a variety of applications in the drug development and diagnostic sectors of healthcare. The Company believes that its microarray technologies could be applied to several fields, including the areas of pathology, diagnostics, pharmacogenomics, toxicogenomics and theranostics.

The Genomics Industry

DNA, the fundamental substance of life, is a long molecule consisting of a chain of sub-units called "bases". There are four bases termed A (adenine), T (thymine), C (cytosine) and G (guanine). A typical DNA molecule, for example the DNA of a human chromosome, consists of a chain which is hundreds of millions of bases in length. Any portion of a DNA molecule can be defined by specifying its exact sequence. For example, the sequence

TTACGCATTTATATCGGGCA

defines a portion of a DNA molecule 20 bases in length. The process of working out the exact sequence of part of a DNA molecule is termed "sequencing".

Genomics refers to the business of applying genetic information, specifically DNA sequence data, to the search for new pharmaceutical products that may be used by molecular diagnostic or screening laboratories. The Company believes that its technology will enable high throughput genomics platforms to accurately link genes to disease, so that scientists will be able to identify the best drug targets for a given condition. The Company believes that this information could lead to a diagnosis of a patient's susceptibility to specific diseases and his or her probable response to drug therapy. The Company also believes that its technologies may further the development of DNA diagnostic and screening tests which will precisely define patients at a genetic level, thereby facilitating the customization of therapies.

Genomics and Human Genome Project

In March 2000, United States President Bill Clinton and British Prime Minister Tony Blair made public their concerns regarding the patenting of genetic sequence information related to the mapping of the human genome. The two leaders urged the biotechnology community to make available the genetic sequence information to advance human health.

The Company has enabling technologies which it believes will play a significant role in the utilization of genomic sequence information for the development of new medicines and for the diagnosis of human disease. With open access to important elements of specific genetic sequences, Tm believes that it can accelerate the development of its gene technologies. The Company is encouraged that at least one of the major companies currently involved with genome sequencing has affirmed its intention to comply with the request of the two leaders.

Genomic Analysis

A genome is all of the DNA in an organism, including its genes. Genes carry the information required to produce all of the proteins required by all organisms. Proteins determine, among other things, how an organism looks, how well its body metabolizes food or fights infection, and sometimes even how it behaves. DNA is made up of four similar chemicals (called bases and abbreviated A, T, C, and G) that are repeated millions or billions of times throughout a genome. The human genome, for example, has three billion pairs of bases.

The particular order of As, Ts, Cs, and Gs is extremely important. The order underlies all of life's diversity and determines the particular species of any given organism. Because all organisms are related through similarities in DNA sequences, insights gained from nonhuman genomes often lead to new knowledge about human biology.

The Human Genome Project

The U.S. Human Genome Project is a 13-year effort co-ordinated by the United States Department of Energy and the National Institute of Health (United States) which commenced in 1990. Although the project was

originally expected to run for 15 years, rapid technological advances have accelerated the expected completion date to 2003. The stated goals of the Human Genome Project include:

- the identification of all of the more than 100,000 genes in human DNA,
- the determination of the sequences of the 3 billion chemical base pairs that make up human DNA,
- the creation of a database which records DNA information,
- the development of tools for data analysis, and
- the development of an approach that addresses the ethical, legal, and social issues that are raised by the project.

The sequencing of the yeast, C. elegans (flat worm), Drosophila (fruit fly) and mouse genomes was funded in order to facilitate comparative studies between humans and organisms commonly used for genetic studies in the laboratory. The National Science Foundation subsequently funded the sequencing of the Arabidopsis thaliana genome as a model plant genome. Several additional genomes are now either actively being sequenced or are being strongly considered for sequencing. These include the rat, the bee, the rhesus monkey, the chimpanzee, the tomato and other crops, several livestock species and various microbes and fungi.

Structural Genomics and Functional Genomics

The sheer scale of the Human Genome Project, and the technical innovations it will require, has resulted in the recognition of "genomics" as a new scientific discipline. Genomics is operationally defined as the investigation into the structure and function of very large numbers of genes, undertaken in a simultaneous fashion. Structural genomics includes the genetic mapping, physical mapping and sequencing of entire genomes. Unlike structural genomics, which is the study of the specific gene sequences for a given organism, functional genomics deals with the development of approaches that are designed to assess gene function.

Mutagenesis, or the production of changes in the DNA sequence that affect the expression or structure of gene products, is considered a leading approach in the effort to develop an understanding of gene function. Genotype is the term applied to specific changes in DNA sequence found in a mutant, while phenotype refers to all biological consequences resulting from the presence of the mutation in question. Phenotype is the logical subject of functional genomics. At the molecular level, for example, phenotype includes all temporal and spatial aspects of gene expression, as well as related aspects of the expression, structure, function and spatial localization of proteins. The latter has acquired the name "proteomics," creating a new sub-field of functional genomics. The proteome, by definition, is the set of all expressed proteins for a given organism.

Major advances in the areas of analytical chemistry, analytical biochemistry, image analysis, robotics and process automation have led to effective approaches for the study of functional genomics. This suggests that both engineering and the physical sciences will play a key role in the development of biology in the post genome era. Indeed, DNA microarrays technology - which facilitates automated, high-throughput DNA detection – is being fuelled by functional genomics.

Comparative Genomics

There are two significant challenges that will affect efforts to sequence entire genomes. First, the vast number of species and the relatively large size of some genomes renders the entire sequencing of all genomes inefficient. Second, within a given species, most individuals are genetically distinct in a number of ways. These two problems have given rise to new approaches which, taken together, constitute the field of comparative genomics.

Because all modern genomes have arisen from common ancestral genomes, it is possible to undertake comparative studies of genomes. Information gained through the study of one organism can be applied to the study of other, even distantly related, organisms. Comparative genomics enables the application of information gained from facile model systems to agricultural and medical problems. The nature and significance of differences between genomes also provides a powerful tool for determining the relationship between genotype and phenotype through comparative genomics.

The human genome contains points in the genetic code where individuals vary with respect to sequence. These locations are called single nucleotide polymorphisms – or SNPs. SNPs are estimated to be present every 1,000-to-5,000 bases in the human sequence, yielding approximately one million SNPs in total. The importance of SNPs lies in the fact that these changes in sequence may determine the ways in which subpopulations of a given species are functionally different.

At least two major private sector initiatives have been launched to determine the entire SNP map of the human genome. The very strong level of interest in SNPs in the private sector is related to the perceived importance of this information to the field of medicine. A high-density map of these genetic signposts could allow researchers to navigate the genome more quickly and efficiently, in search of genes associated with disease. By comparing SNP patterns in various patient and control populations, medical researchers hope to identify genetic differences that predispose some but not others to diseases, and that underlie variability in individual responses to treatment. This information is expected to enhance scientists' understanding of disease processes and facilitate the discovery, development and delivery of safer and more effective treatments. Ultimately, SNP technology may lead to the development of "personalized medicine," in which disease prevention strategies and treatments are more closely tailored to an individual's genetic profile.

Business Strategy

The Company's approach is to apply its platform enabling genomic technologies to pursue a two-pronged commercial development strategy. First, the Company intends to rely on its proprietary technologies to develop a program focused on the design and manufacture of a whole-solution product for direct sale to end-users through marketing partnerships or distribution agreements. The Company anticipates that end-users will primarily be comprised of pharmaceutical companies and diagnostic laboratories. Second, in conjunction with external commercial partners, the Company intends to apply its proprietary technology in a way that improves the performance of the partner's products in the areas of clinical diagnostics and/or drug development. The Company also plans to develop and commercialize its own DNA microarray system in an effort to generate long term revenues.

Tm's business model is focused on the following initiatives:

1. the deployment of Tm's advanced genomic technologies through the development of the Company's first microarray prototype, "Tm-One", for proof of concept and marketing purposes;

2. the positioning of Tm's technology as a recognized industry standard through collaborations with commercial partners, including government, academia and the industry;

3. the development of a validated commercial array product; and

4. the licensing of Tm's technologies to commercial users such as biotechnology companies, pharmaceutical companies and diagnostic companies.

Company Technology

Tm has assembled two technology platforms that it believes have direct application to DNA microarray technology and other DNA based assays. The Company refers to these two platforms as HybAssist and SignalAssist. A key feature of the Company's technologies is that they can be applied individually or collectively. HybAssist consists of three novel and proprietary technologies – Sequence Design Engine, Hairpin Capture Probes and Ligand

Controlled Hybridization. Each of these technologies addresses important issues affecting the current application of DNA microarray technology (see Table 1).

Table 1 - Tm Technology Platform

Technology	**Value-added feature for DNA microarrays**
HybAssist - Sequence Design Engine - Hairpin Capture Probes - Ligand Controlled Hybridization	• Increase data reproducibility • Eliminate false positives • Eliminate false negatives • Decrease time of assay • Increase sensitivity
SignalAssist - Signal Amplification Technology	• Increased sensitivity (>1,000-fold) • Ease of use • Cost effective • Multiple applications

The Company believes that the Sequence Design Engine represents a novel algorithmic method for selecting thousands of DNA probe sequences that share similar thermodynamic properties, while maintaining a high degree of individual capture specificity. The Company also believes that its Hairpin Capture Probes represent an advance over single strand probes that are currently in use. Hairpin Capture Probes exhibit significantly higher rates of target capture (at least 4 times better) than existing linear probes, which results in greater assay speed and sensitivity.

Ligand Controlled Hybridization ("LCH") combines the Company's technology and expertise in DNA chemistry and thermodynamics with its novel and proprietary knowledge of DNA binding molecules – called ligands – to fine-tune DNA hybridization events. The advantage of the Company's LCH system is that it provides a means of systematically and predictably controlling hybridization reaction conditions such that even in highly multiplexed conditions, such as those found on DNA microarrays, it is possible to obtain high specificity and minimal cross-talk, two important features for quality performance.

The Company believes that SignalAssist will significantly improve the sensitivity of detection for all types of DNA detection systems, including applications of DNA microarrays. Because this technology may be applied to nucleic acid or immunologic detection tests, the Company believes that it may advance existing applications and could result in revenue for the Company.

The Company's platforms have emerged from its understanding of the thermodynamics and chemistry of duplex DNA behaviour. The Company is focused on applying various strategies to control a process called "hybridization", which the Company believes is a critical step in most DNA detection systems. Hybridization can be defined as the event in which a single-stranded DNA molecule, called a probe or tag, which is usually attached to a solid surface (as is the case for microarrays), will grab and hold on to its single-stranded counterpart, or complement, present in a sample of interest. The rate at which the individual probe molecule grabs on to its counterpart and the final strength of this interaction depends on many parameters, including the actual DNA sequence of the probe molecule itself. Each unique probe molecule on a DNA microarray will have a different propensity to grab and hold on to its counterpart. This variability creates technical problems which adversely affect efforts to obtain accurate, consistent and reproducible results from current DNA microarray platforms.

Tm's HybAssist technology platform encompasses three novel and proprietary technologies, which directly address hybridization issues related to all types of DNA detection systems. The Company believes that the application of its HybAssist platform to DNA microarrays will produce a superior platform for use in all types of discovery and diagnostic applications. This next generation DNA microarray platform is expected to be valued by both biotechnology and pharmaceutical partners and customers.

Current Business Opportunities and Corporate Partnerships

Genetic Analysis Technologies

In July 1999, the Company signed a research agreement with a collaborative partner, PE Biosystems, a division of The Perkin-Elmer Corporation, to evaluate various genetic analysis technologies, including specific components of Tm's HybAssist platform.

DNA Binding Compounds

In September 1999, the Company signed a material transfer agreement with a company based in the United Kingdom to access and evaluate proprietary DNA binding compounds for use in Tm's LCH technology. Tm intends to develop an extensive library of such compounds from numerous sources that will be used by the Company to develop various LCH applications. The Company believes that securing access to these compounds is one method to help maintain control and security over this technology. The Company is currently discussing the possible terms for a license of the successful candidate compounds.

Ligand Controlled Hybridization Technology

In January 2000, the Company entered into a research collaboration agreement with a major pharmaceutical company to test the application of Ligand Controlled Hybridization technology. Successful completion of the project may lead to negotiations for a non-exclusive license to the technology.

Competition

Tm has a group of complementary technologies that it believes, individually or combined, offer important solutions to a variety of the hybridization control problems currently being experienced in the areas of array and non-array technology. While the Company feels that it exhibits depth in this important area, there are several companies with technologies which can also be used to alter certain aspects of the hybridization characteristics of complex DNA analytical systems. These companies include:

EraGen Biosciences, Inc.

EraGen has developed a set of modified chemical bases under the platform name AEGIS (an expanded genetic information system). The application of Eragen's technology to DNA based assays, including arrays, could improve upon scientist's ability to identify differences between specific sequences that are tested in parallel and could make discrimination easier. However, an expanded complexity of bases may lead to more complex thermodynamics and hybridization chemistries. As a result, specifically tailored hybridization control technology might still be required to achieve optimal performance.

Epoch Pharmaceuticals, Inc.

Epoch has recently refocused its business by applying some of its technology to hybridization based DNA detection assays. Unlike Tm, Epoch uses ligands irreversibly conjugated to DNA probes. Epoch's technology was developed to address issues of stabilization for anti-sense therapeutics. The Company believes that it is not designed to address complex systems and it does not have the universality of Tm's LCH technology.

Qiagen N.V.

Qiagen, is a developer and supplier of reagents for the preparation of DNA samples. Qiagen recently acquired Rapigene, Inc. Rapigene developed a set of more than twenty organic salt ligands for use in hybridization

control in complex systems. This technology competes directly with Tm's LCH component. Unlike the scientific foundation developed by Tm's scientists, the Rapigene approach uses only a single class of DNA binding ligands. Tm believes that a limitation of the Rapigene system stems from the fact that it was not extensively tested under conditions approximating the sequence complexity of arrays.

Boston Probes, Inc. (a subsidiary of DAKO AS)

PNA (Peptide Nucleic Acids) were developed at the University of Copenhagen and are being commercialized by Boston Probes under an exclusive license from DAKO, a pharmaceutical company from Denmark. They were developed to address a specific problem in hybridization chemistry related to the propensity of some DNA sequences to form internal structures with themselves and thereby neutralize them in hybridization reactions with their complementary probes. They appear to be very effective in resolving this issue, but the Company believes that they are not applicable to the issue of cross talk or quantitative responses for expression profiling. In addition, the use of PNA in complex highly parallel hybridization assays will have to be investigated with respect to these parameters. It is possible that in combination with Tm's technologies, PNA may provide very high levels of performance.

Double Twist, Inc.

Double Twist provides sequence analysis and design to several array and other DNA assay developers. Double Twist's design/sequence analysis system utilizes pattern-matching algorithms to distinguish unique sequences within a defined set of sequences. This is done using well-tested methods such as homology searches, which compare DNA sequences on the basis of their linear sequences. Although sequences found by this method may be unique, there is no prediction of their hybridization chemistry behaviour. Tm believes that its SDE can not only select unique sequences, but also identify those that have the optimal hybridization performance for a given set and application.

Intellectual Property

Tm's policy is to protect its technology by, among other things, filing patent applications with respect to technology considered important to the development of its business. The Company has applied for patent protection covering a wide range of its existing intellectual property and has either exclusive licence rights or ownership of United States patents which cover important aspects of its technology. Specifically, the Company has an exclusive license to United States Patent No. 5,593,894 entitled "Method of Preparing DNA Sequences With Known Ligand Binding Characteristics" which was issued on January 14, 1997, and United States Patent No. 6,027,884 entitled "Thermodynamics, Design and Use of Nucleic Acid Sequences" which was issued February 22, 2000. The Company also owns United States Patent No. 5,770,365 entitled "Nucleic Acid Capture Moieties" which was issued on June 23, 1998.

An additional feature of Tm's intellectual property strategy involves the in-licensing of certain technologies that the Company believes will add complementary value to its technology and strengthen its competitive position. These licenses may be signed on a non-exclusive basis with one or more companies.

The Company generally requires its employees, consultants, scientific collaborators and sponsored researchers and other advisors to execute confidentiality agreements upon the commencement of employment or other relationship with the Company. These agreements provide that all confidential information developed or made known to the individual during the course of the individual's relationship with the Company is to be kept confidential and not disclosed to third parties except in specific circumstances. In the case of employees, the agreements provide that all of the technology which is conceived of the Company which is conceived of by the individual during the course of employment with the Company is the exclusive property of the Company. See "Risk Factors".

Personnel

The Company retains a highly qualified, experienced team of professionals focused on the continued development and commercialization of its technologies. As of March 31, 2000, the Company had thirteen employees or consultants, of whom six hold Ph.D.'s. Of the Company's total work force, eight are involved in research and development activities, two are involved in providing finance, general and administrative services, and two are involved in sales, marketing, business development and licensing activities. The Company also maintains a Scientific Advisory Board which currently consists of ten scientists, all of whom are university professors. See "Scientific Advisory Board". To encourage a focus on achieving long term performance, employees and consultants of the Company have the ability to acquire an ownership interest in the Company through the Company's Share Option Plan. See "Stock Options".

Facilities

The head and principal office of the Company is located in approximately 4,350 square feet of leased premises at 439 University Avenue, Toronto, Ontario. The Company believes that its current facilities may prove inadequate to handle anticipated growth. The Company is currently investigating various alternatives related to the possible need to expand its premises or relocate some of its operations in the future.

Legal Proceedings

As of the date of this prospectus, there are no legal proceedings material to the Company to which the Company or its subsidiary is a party to, or of which any of their property is the subject of and, to the Company's knowledge, no such proceedings are pending or threatened. Furthermore, no such proceedings are contemplated by the Company or its subsidiary.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS

Fiscal 1999 Compared with Fiscal 1998

Tm recorded a net loss for the year ended December 31, 1999 of $3,264,458 ($0.05 per share), compared to a net loss of $6,146,725 ($0.11 per share) for the year ended December 31, 1998.

Tm's total revenue decreased by 20% to $168,207 in 1999 from $210,647 in 1998. While revenue for 1998 consisted solely of interest income, in 1999 the Company recorded revenue of $56,093 pursuant to a collaborative research agreement, in addition to interest income of $112,114.

In 1998, the Company recorded a restructuring charge of $1,100,000 related to the closure of its Woburn, Massachusetts facility. At the end of 1999, this restructuring was complete and the Company does not expect any additional costs to be incurred related to the closure.

Expenses for the year ending December 31, 1999 decreased by 35% to $3,432,665 as compared to $5,257,372 (excluding the restructuring charge) in 1998. This decrease is primarily a result of the decision taken in 1998 to consolidate the Company's research and development activities at its Toronto facility. Specifically, costs associated with research and development decreased by 57% in 1999 to $1,299,174 from $2,986,643 in 1998. Reduced expenses for manpower, laboratory consumables and facility operations were the key factors contributing to the savings. General and administrative expenses increased by 10% to $1,586, 651 in 1999 as compared to $1,442,313 for 1998. The 1999 figure includes severance and other costs totalling $485,000 related to the resignation of the Company's President and Chief Executive Officer during the year.

The Company continues to aggressively protect its intellectual property and expenses associated with the preparation and filing of patents continued at historically high levels. These costs were $321,631 for the year ended December 31, 1999, slightly higher than the $306,285 incurred in fiscal 1998.

Cash flow decreased from a net inflow of $379,446 in 1998 to a net outflow of $4,186,472 in 1999. While the current ratio improved to 2.35 at December 31, 1999 from 1.53 at the end of 1998, working capital fell to $622,140 from $3,379,956.

Fiscal 1998 Compared With Fiscal 1997

Tm recorded a net loss for the year ended December 31, 1998 of $6,146,725 ($0.11 per share), compared to a net loss of $2,446,138 ($0.06 per share) for the year ended December 31, 1997. This loss includes a one-time restructuring charge of $1,100,000 ($0.02 per share) relating to the Company's decision to close its laboratory located in Woburn, Massachusetts. Operating expenses, excluding the restructuring charge, were $5,257,372 for the 1998 fiscal year, 112% higher than operating expenses of $2,483,708 for fiscal 1997.

The increase in operating expenses reflects the expansion of Tm's Canadian operations throughout 1998. In the first quarter, Tm entered into a lease agreement for premises in Toronto, Ontario and began to build infrastructure and scientific research and development capacity. During the year, sales, marketing, product development, research and administrative staff were hired and the construction of a molecular biology laboratory was completed in the fourth quarter.

In November 1998, a decision was taken to restructure the Company's scientific research and development operations and relocate those activities to its newly constructed laboratory in Toronto. As a result of that decision, Tm booked a one time restructuring charge of $1,100,000 in 1998, $400,000 of which was incurred by December 31, 1998. For the year ended December 31, 1998, costs for Tm's United States operations were 58% of total expenses, before one-time charges.

Expenses associated with the preparation and filing of patents increased by 166% to $306,285 for the year ended December 31, 1998 compared with $114,936 for the year ended December 31, 1997, reflecting the Company's strategy of taking aggressive measures towards protecting its intellectual property.

The Company incurred interest expense of $289,563 in 1998, primarily related to a demand loan received by the Company in December 1997. The loan principal and accrued interest was repaid in June 1998.

Cash flow decreased from a net inflow of $3,920,831 in 1997 to $379,446 in 1998. In June 1998, a special warrant financing arrangement raised proceeds of $13,723,657 (net of commissions and expenses). As a condition of this financing, $5,238,500 was held in escrow subject to Tm meeting certain revenue criteria. The escrowed funds, plus accrued interest earned, were returned to the holders of the special warrants in January 1999, as the revenue criteria were not met.

Liquidity and Capital Resources

The Company has never generated positive cash flow from operations, and its ability to generate positive cash flow from operations in the future will be contingent upon several factors including its ability to develop commercial applications of its technologies and its success in obtaining patent protection for existing and future technologies. See "Business of the Company - Intellectual Property" and "Risk Factors".

The Company has financed its operations through public offerings and private placements of securities and interest income. The Company intends to generate cash flow from operations in the short term by entering into alliances and collaborative commercial agreements with companies in the biotechnology and pharmaceutical industry. The Company expects that its principal source of cash flow in the longer term will come in the form of product sales, licensing fees, royalty payments and other such payments.

The Company believes that its existing cash and short-term investments, together with the cash generated from operations and proceeds of the private placement of the Special Warrants will be sufficient to provide

adequate working capital for at least the next twelve months. The Company may require additional equity financing in the longer term.

DESCRIPTION OF SHARE CAPITAL

The authorized capital of the Company consists of an unlimited number of preference shares, issuable in series, and an unlimited number of Common Shares. No preference shares and 71,942,054 Common Shares were issued and outstanding as at March 31, 2000.

The following is a summary of the material provisions of the share capital of the Company.

Preference Shares

The preference shares are issuable in series. Subject to the Company's articles, the board of directors is authorized to fix, before issuance, the designation, rights, privileges, restrictions and conditions attaching to the shares of each series. No series of preference shares has been designated by the board of directors. The preference shares rank prior to the Common Shares with respect to dividends and return of capital on dissolution. Except with respect to matters as to which the holders of preference shares are entitled by law or pursuant to a resolution of the board of directors of the Company to vote as a class or series, the holders of preference shares will not be entitled to attend and vote at meetings of shareholders. The preference shares or any series thereof may be made convertible into Common Shares.

Common Shares

Holders of Common Shares are entitled to attend and vote at all meetings of shareholders, except meetings at which only holders of a specified class or series of shares are entitled to vote, and are entitled to one vote per share. Holders of Common Shares are entitled to receive such dividends as may be declared by the board of directors. See "Dividend Policy". In the event of the dissolution or winding up of the affairs of the Company, holders of Common Shares are entitled to share rateably in all assets of the Company remaining after payment of all amounts due to any holder of preference shares and to creditors.

CONSOLIDATED CAPITALIZATION

The following table sets forth the capitalization of the Company as at December 31, 1999 and March 31, 2000, as well as the capitalization of the Company as at March 31, 2000 after giving effect to the exercise of the Special Warrants.

	Authorized	Outstanding as at December 31, 1999[1] $	Outstanding as at March 31, 2000 $	Outstanding as at March 31, 2000 after giving effect to the exercise of the Special Warrants[2] $
Shareholders' Equity:				
Common Shares	unlimited	19,554,783 (70,249,280 shares)	20,869,704 (71,942,054 shares)	25,249,957[3] (91,942,063 shares)
Preference Shares	unlimited	—	—	—
Deficit		(18,477,438)	(18,477,438)[4]	(18,477,438)[4]
Total shareholders' equity		1,077,345	2,392,266	6,772,519
Total consolidated capitalization[5]		1,077,345	2,392,266	6,772,519

Notes:

(1) Without giving effect to an additional 5,961,563 Common Shares issuable upon the exercise of 5,961,563 Common Share purchase warrants, 1,309,625 Common Shares issuable upon exercise of Underwriter's Compensation Options, 654,812 Common Shares issuable upon exercise of the Warrants issuable upon exercise of the Underwriter's Compensation Options and 1,812,000 Common Shares issuable pursuant to outstanding stock options granted to directors, executive officers, employees and consultants. See "Prior Issuances", "Stock Options" and Notes 5 and 6 to the Company's consolidated financial statements included elsewhere in this prospectus.

(2) Assuming all of the Special Warrants are exercised. Without giving effect to an additional 5,602,189 Common Shares issuable upon the exercise of 5,602,189 Common Share purchase warrants, 394,625 Common Shares issuable upon exercise of Underwriter's Compensation Options, 654,812 Common Shares issuable upon exercise of the Warrants issuable upon exercise of the Underwriter's Compensation Options and 1,733,600 Common Shares issuable pursuant to outstanding stock options granted to directors, executive officers, employees and consultants. See "Prior Issuances", "Stock Options" and Notes 5 and 6 to the Company's consolidated financial statements included elsewhere in this prospectus. Also excluded are the 10,000,001 Common Shares issuable upon exercise of the Series A Warrants, the 7,500,006 Common Shares issuable upon exercise of the Series B Warrants and the 3,750,000 Common Shares issuable upon exercise of the First Compensation Options and the Second Compensation Options, as well as the underlying Series A Warrants and Series B Warrants.

(3) These amounts represent net proceeds to the Company after deducting the expenses of the offering estimated at $300,000 and the Underwriter's fee of $169,750.

(4) Deficit as at December 31, 1999.

(5) See Note 7 to the Company's consolidated financial statements accompanying this prospectus for a discussion of the Company's obligations under leases of real property.

PLAN OF DISTRIBUTION

On January 31, 2000, the Company completed a private placement of 8,888,889 Series A Special Warrants (the "First Offering") at a price of $0.135 per Series A Special Warrant pursuant to prospectus exemptions under applicable securities legislation. The sale of the 8,888,889 Series A Special Warrants was arranged by the Agent pursuant to the First Agency Agreement. Under the terms of the First Agency Agreement, the Company paid to the Agent a fee of $0.005 per Series A Special Warrant, representing an aggregate fee of $42,000. As additional consideration, the Company granted to the Agent non-assignable First Compensation Warrants to acquire, for no additional consideration, 888,888 First Compensation Options. Each First Compensation Option entitles the Agent to purchase at any time until January 31, 2002, one First Unit consisting of one Common Share and one Series A Warrant or, in certain circumstances, 1.1 First Units (consisting of 1.1 Common Shares and 1.1 Series A Warrants) at an exercise price of $0.135 per First Unit. This prospectus also qualifies the distribution of 50% of the First Compensation Options.

On February 7, 2000, the Company completed a private placement of 1,111,112 Series A Special Warrants at a price of $0.135 per Series A Special Warrant and 10,000,008 Series B Special Warrants at a price of $0.35 per Series B Special Warrant (the "Second Offering") pursuant to prospectus exemptions under applicable securities legislation. The sale of the Special Warrants on February 7, 2000 was arranged by the Agent pursuant to the Second Agency Agreement. Under the terms of the Second Agency Agreement, the Company paid to the Agent a fee of $0.012 per Series B Special Warrant, representing a fee of $127,750. As additional consideration, the Company granted to the Agent First Compensation Warrants to acquire an additional 111,111 First Compensation Options as well as non-assignable Second Compensation Warrants to acquire, for no additional consideration, 1,000,000 Second Compensation Options. Each Second Compensation Option entitles the Agent to purchase any time until February 7, 2002, one Second Unit consisting of one Common Share and three-quarters of one Series B Warrant or, in certain circumstances, 1.1 Second Units (consisting of 1.1 Common Shares and 0.825 Series B Warrants) at an exercise price of $0.35 per Second Unit. This prospectus also qualifies the distribution of 50% of the Second Compensation Options.

The Series A Special Warrants were issued pursuant to the Series A Special Warrant Indenture. Reference is made to the Series A Special Warrant Indenture for the full text of the attributes of the Series A Special Warrants. Since the date of issue, no Series A Special Warrants have been exercised. Each Series A Special Warrant entitles the holder thereof to receive, upon exercise of the Series A Special Warrants in accordance with the terms thereof and of the Series A Special Warrant Indenture, and subject to adjustment in certain circumstances, without additional charge, one Common Share and one Series A Warrant. Each Series A Warrant entitles the holder thereof to purchase one Common Share of the Company at a price of $0.18 per share at any time at or prior to 5:00 p.m. (Toronto time) on January 31, 2002. See "Common Shares and Warrants".

The Series B Special Warrants were issued pursuant to the Series B Special Warrant Indenture. Reference is made to the Series B Special Warrant Indenture for the full text of the attributes of the Special Warrants. Since the date of issue, no Series B Special Warrants have been exercised. Each Series B Special Warrant entitles the holder thereof to receive, upon exercise of the Series B Special Warrants in accordance with the terms thereof and of the Series B Special Warrant Indenture, and subject to adjustment in certain circumstances, without additional charge, one Common Share and three-quarters of one Series B Warrant. Each Series B Warrant entitles the holder thereof to purchase one Common Share of the Company at a price of $0.35 per share at any time at or prior to 5:00 p.m. (Toronto time) on February 7, 2002. See "Common Shares and Warrants".

All of the Series A Special Warrants issued on January 31, 2000 may be exercised at or prior to 5:00 p.m. (Toronto time) the First Time of Expiry. All of the Series A Special Warrants issued on February 7, 2000 and all of the Series B Special Warrants may be exercised at or prior to 5:00 p.m. (Toronto time) on the Second Time of Expiry. All of the Special Warrants which have not been exercised prior to the applicable Expiry Time will be exercised by the Special Warrant Agent on behalf of the holders thereof immediately prior to such time.

If the Clearance Date does not occur prior to the Qualification Deadline, a holder of Series A Special Warrants will be entitled to acquire upon exercise, without additional payment, 1.1 Common Shares (in lieu of one Common Share) and 1.1 Warrants (in lieu of one Series A Warrant) per Series A Special Warrant pursuant to the terms of

the Series A Special Warrant Indenture. If the Clearance Date does not occur prior to the Qualification Deadline, a holder of Series B Special Warrants will be entitled to acquire, upon exercise, without additional payment, 1.1 Common Shares (in lieu of one Common Share) and 0.825 Series B Warrants (in lieu of 0.75 Series B Warrants) per Series B Special Warrant pursuant to the terms of the Series B Special Warrant Indenture.

The offering of the Special Warrants was made in Ontario, British Columbia and Alberta pursuant to exemptions from the prospectus requirements of the *Securities Act* (Ontario), the *Securities Act* (British Columbia) and the *Securities Act* (Alberta), respectively (collectively, the "Securities Acts"). Under the Securities Acts, resales of Special Warrants are restricted. Generally speaking, secondary market transactions in the Special Warrants are permitted to be carried out only on a basis that qualifies for the so-called "private placement" exemption. Under the Securities Acts, the resale of Common Shares and Warrants prior to the issuance of a receipt for a final prospectus will also be restricted.

COMMON SHARES AND WARRANTS

For a description of the attributes of the Common Shares issuable upon the exercise of the Special Warrants, see "Description of Share Capital".

The Series A Warrants are governed by a warrant indenture dated as of January 31, 2000 between the Company and CIBC Mellon, as warrant agent (the "Warrant Agent") as amended and supplemented by the Supplemental Series A Warrant Indenture dated February 7, 2000. The Series B Warrants are governed by a warrant indenture (the "Series B Warrant Indenture" and, together with the Series A Warrant Indenture the "Warrant Indentures") dated as of February 7, 2000 between the Company and the Warrant Agent. The Company has appointed the offices of CIBC Mellon in the City of Toronto, as the warrant agency at which Warrants may be surrendered for exercise or exchange. Reference is made to the Warrant Indentures for the full text of the attributes of the Warrants.

Each Series A Warrant entitles the holder thereof to purchase one Common Share of the Company at a price of $0.18 per share at any time at or prior to 5:00 p.m. (Toronto time) on January 31, 2002. Each Series B Warrant entitles the holder thereof to purchase one Common Share of the Company at a price of $0.35 per share at any time at or prior to 5:00 p.m. (Toronto time) on February 7, 2002. The Warrant Indentures provide for the adjustment to the exercise price of the Warrants in certain circumstances, such as where the Company subdivides its outstanding Common Shares into a greater number of Common Shares, and further provides for an adjustment in the number of Common Shares which the holder is entitled to receive upon the exercise of Warrants in certain circumstances, such as where there is an amalgamation of the Company with or into any other corporation. No adjustment to the exercise price 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 one percent. No fractional shares will be issued upon the exercise of the Warrants. The Warrant Indentures permit the Company to purchase at any time all or any of the Warrants by private contract or otherwise at the lowest price or prices at which, in the opinion of the directors of the Company, such Warrants are obtainable, plus reasonable costs of purchase. The Warrant Indentures establish procedures relating to the convening of meetings of the holders of the respective Warrants (the "Warrantholders") by the Warrant Agent or the Warrantholders and establishes procedures for the conduct of such meetings.

USE OF PROCEEDS

The estimated net proceeds to the Company from the offering of the Special Warrants, after deducting fees payable to the Agent and the expenses of this offering, will be approximately $4,380,253. The Company will use approximately $462,000 of the proceeds of the offering of the Special Warrants to retire current accounts payable, approximately $200,000 to purchase capital equipment, and the balance of the net proceeds of the offering of the Special Warrants, being $3,718,253, for funding its operations, including to continue developing commercial applications, hire additional staff and for general working capital purposes. The Company plans to invest the proceeds of the offering of the Special Warrants in investment grade securities pending such use. See "Plan of Distribution".

DILUTION

After giving effect to the issuance of 10,000,001 Common Shares upon the exercise or deemed exercise of the Series A Special Warrants and without giving effect to the issuance of 10,000,008 Common Shares upon the exercise or deemed exercise of the Series B Special Warrants or the exercise of the Agent's Compensation Options, the effective price paid for each Common Share issued upon exercise or deemed exercise of the Series A Special Warrants, being $0.135, exceeds the net tangible book value per Common Share as at December 31, 1999, by $0.106 per Common Share, representing a dilution factor of 79%.

After giving effect to the issuance of 10,000,008 Common Shares upon the exercise or deemed exercise of the Series B Special Warrants and without giving effect to the issuance of 10,000,001 Common Shares upon the exercise or deemed exercise of the Series A Special Warrants or the exercise of the Agent's Compensation Options, the effective price paid for each Common Share issued upon exercise or deemed exercise of the Series B Special Warrants, being $0.35, exceeds the net tangible book value per Common Share as at December 31, 1999, by $0.295 per Common Share, representing a dilution factor of 84%.

After giving effect to the issuance of 10,000,001 Common Shares upon the exercise or deemed exercise of the Series A Special Warrants and the issuance of 10,000,008 Common Shares upon the exercise or deemed exercise of the Series B Special Warrants and without giving effect to the exercise of the Agent's Compensation Options, the effective price paid for each Common Share issued upon exercise or deemed exercise of the Series A Special Warrants and the Series B Special Warrants, being $0.243, exceeds the net tangible book value per Common Share as at December 31, 1999, by $0.179 per Common Share, representing a dilution factor of 74%. The above described dilution is described further in the following table:

	Series A Special Warrant	Series B Special Warrant	Blended
Effective price per Common Share [(1)]	$0.135	$0.350	$0.243
Net tangible book value per Common Share	$0.015	$0.015	$0.015
Increase in net tangible book value per share attributable to the issuance of 10,000,001 Common Shares [(2)]	$0.014	—	—
Increase in net tangible book value per share attributable to the issuance of 10,000,008 Common Shares	—	$0.040	—
Increase in net tangible book value per share attributable to the issuance of 20,000,009 Common Shares	—	—	$0.049
Net tangible book value per share after distribution	$0.029	$0.055	$0.064
Dilution to subscribers	$0.106	$0.295	$0.179
Percentage of dilution in relation to the issue price	79%	84%	74%

Notes:

(1) For purposes of the calculation contained in this section, the entire offering price for the Special Warrants has been attributed to the Common Shares and the associated Warrants have been ascribed a nil value.

(2) After deducting the estimated expenses of the offering of the Special Warrants and the Agent's fee. See "Plan of Distribution"

DIVIDEND POLICY

The Company has not paid dividends since 1993 when the business currently carried on by the Company commenced. It is the policy of the board of directors of the Company to retain earnings to finance the growth

and development of the business of the Company, and, therefore, the Company does not anticipate paying cash dividends on its Common Shares in the foreseeable future.

PRINCIPAL SHAREHOLDERS

As of March 31, 2000, the only persons or companies who owned of record, or who, to the knowledge of the Company, owned beneficially, directly or indirectly, more than 10% of any class of voting securities of the Company are as follows:

Name and Address	Type of Ownership	Number of Common Shares	Percentage of Common Shares
Canadian Medical Discoveries Fund Inc. ("CMDF") Toronto, Ontario	of record and beneficially	24,625,001	34.2%

As at March 31, 2000, the directors and senior officers of the Company beneficially owned, directly or indirectly, as a group, 138,400 Common Shares or less than 1% of the issued and outstanding Common Shares.

DIRECTORS AND OFFICERS

The name, municipality of residence, positions with the Company and principal occupation of each of the directors and officers of the Company as at March 31, 2000 are as follows:

Name and Municipality of Residence	Position with the Company	Principal Occupation
W. GEOFFREY BEATTIE[1, 2] Toronto, Ontario	Director	President, The Woodbridge Company Limited (private holding company)
JOHN R. FREDERICK[1, 2, 3] Oakville, Ontario	Director	Vice President, Finance, Galaen Holdings Ltd. (management services)
GREGORY C. HINES[4] Ajax, Ontario	President and Chief Executive Officer	President and Chief Executive Officer of the Company
RICHARD L. LOCKIE[1, 2, 3] Toronto, Ontario	Chairman of the Board of Directors	President and Chief Executive Officer of the Company and Senior Vice President, MDS Capital Corp. (investment management company)
NEIL M. REID, Ph. D.[3] Thornhill, Ontario	Director	Senior Vice-President, MDS Sciex (health and life sciences company)
RICHARD A. JANECZKO Toronto, Ontario	Executive Vice President	Executive Vice President of the Company
R. RANDALL MACEWEN Toronto, Ontario	Corporate Secretary	Associate, Torys (law firm)
DAVID D. WALES Burlington, Ontario	Controller	Controller of the Company
ROMAN L. ZASTAWNY Guelph, Ontario	Vice-President, Product Development	Vice-President of Product Development of the Company

Notes:

(1) Messrs. Beattie, Frederick and Lockie serve on the Company's Compensation Committee.

(2) Messrs. Beattie, Frederick and Lockie serve on the Company's Corporate Governance Committee.

(3) Messrs. Frederick, Lockie and Reid serve on the Company's Audit Committee.

(4) Mr. Hines was appointed President and Chief Executive Officer of the Company on March 31, 2000.

W. Geoffrey Beattie: Mr. Beattie has served as a director of the Company since May 1998. Mr. Beattie's principal occupation is President of The Woodbridge Company Limited, the private holding company of the Thomson family. Prior to April 1998, Mr. Beattie was a partner of Tory Tory DesLauriers & Binnington, a law firm, where he practised securities and corporate law. Mr. Beattie serves as a director of a number of private and public organizations and corporations.

John R. Frederick: Mr. Frederick has served as a director of the Company since 1987. He is also Vice-President of Galaen Holdings Limited which manages, advises and finances private and public companies. Mr. Frederick is a director and officer of several corporations.

Gregory C. Hines: Mr. Hines was appointed President and Chief Executive Officer of the Company on March 31, 2000. Prior to such appointment, Mr. Hines was retained as a consultant by MDS Capital Inc. and was also serving as President of Spectrum Pharma Inc., a Canadian company which Mr. Hines founded in 1999, and as President of Leo Pharma Inc., a privately held company which Mr. Hines founded in 1981. From 1993 to 1999, Mr. Hines was a member of the Board of Pharmaceutical Manufacturers Association of Canada and served as Chairman in 1997 and 1998. He currently serves on various advisory boards associated with the pharmaceutical and genomics industries.

Richard L. Lockie: Mr. Lockie is Chairman of the board of directors of the Company and has served as a director of the Company since 1997. Mr. Lockie served as interim President and Chief Executive Officer of the Company during the period September 1999 to March 31, 2000. Mr. Lockie has been a Senior Vice President of MDS Capital Corp., an investment management company, since 1995. Mr. Lockie also currently serves as a director for a number of private and public corporations.

Neil M. Reid: Dr. Reid has served as a director of the Company since June 1, 1999. He is co-founder and Senior Vice-President of MDS-Sciex, a leading health and life sciences company. Dr. Reid is also the General Manager of Perkin Elmer Sciex Instruments, a joint venture between MDS Sciex and Perkin Elmer. Previously, Dr. Reid held the positions of Vice-President, Marketing and Vice-President Research and Development at Sciex. He is the co-founder of the Canadian Contract Research Administrators Association and currently serves on the Board of the Perkin Elmer Sciex Instruments.

Richard A. Janeczko: Dr. Janeczko was appointed as Executive Vice President of the Company in February 2000 and previously had served as the Company's Vice President, Business Development since September 1997. Prior to joining the Company, Dr. Janeczko was President of General Synthetics Diagnostics Inc., a DNA diagnostics company, from 1989 to 1997.

R. Randall MacEwen: Mr. MacEwen has served as the Company's Corporate Secretary since May 1998. Mr. MacEwen is an associate of Torys, a law firm. Mr. MacEwen has been with Torys since 1995.

David D. Wales: Mr. Wales has served as the Company's Controller since March 1998. Prior to joining the Company, Mr. Wales was the Controller for CRS Robotics Corporation, a robotics company. He had served in this position since May 1993.

Roman L. Zastawny: Dr. Zastawny has served as Vice-President of Product Development since February 2000. He joined the Company in June 1999 as Director, Product Development. From 1995 until joining the Company, he worked at Allelix Biopharmaceutical as project manager for target discovery in conjunction with Eli-Lily,

Indianapolis. He is co-inventor on one issued and four pending patents. He received his Ph.D. from the University of Toronto in molecular biology and continued post-doctoral studies at the University in pharmacology.

Indebtedness of Directors and Officers

None of the directors and officers of the Company have had any material indebtedness to the Company at any time since January 1, 1999.

SCIENTIFIC ADVISORY BOARD

The Company has established a Scientific Advisory Board comprised of science experts and advisors whom the Company believes will enhance its capabilities. Members of the SAB meet to review the progress of the Company's research and development activities. The SAB also advises the Company generally as to its research and product development programs, as to scientific research programs and as to advances in DNA and related sciences, and other areas of scientific expertise relevant to the further development of the Company's intellectual property and products. Members of the SAB exercise no specific authority over any aspect of the Company's operations. All of the members of the SAB are independent of the Company.

As at March 31, 2000, the following individuals serve on the SAB: Drs. Albert S. Benight, R. Christopher Bleackley, Jonathan Chaires, Jerrie Gavalchin, Donald E. Low, Bernard J. Poiesz, J. Michael Schurr, Nadrian C. Seeman, Richard D. Sheardy and Roger M. Wartell.

EXECUTIVE COMPENSATION

The Company's compensation of its executives is designed to achieve three objectives: (i) motivate executives to achieve their strategic goals by tying their compensation to the performance of the Company, as well as to individual performance; (ii) encourage competitiveness with other companies so as to attract and retain talented executives; and (iii) align the interest of the executives with long-term interests of the Company's shareholders through stock-related programs.

The compensation of the President and the other officers of the Company consists of three principal elements: (i) the salary paid to them by the Company; (ii) participation in a bonus plan tied to specific corporate goals set annually by the board of directors; and (iii) options to purchase Common Shares under the Company's Share Option Plan. See "Stock Options".

The following table presents information about compensation for the three years ended December 31, 1999.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			All Other Compen-sation ($)
					Awards		Payouts	
		Salary ($)	Bonus ($)	Other Annual Compen-sation ($)	Securities Under Options/SARs Granted (#)	Restricted Shares or Restricted Share Units ($)	LTIP Payouts ($)	
Richard L. Lockie,[3] Chairman, President and Chief Executive Officer	1999	-----	-----	-----	-----	-----	-----	-----
	1998	-----	-----	-----	-----	-----	-----	-----
	1997	-----	-----	-----	-----	-----	-----	-----
Donald H. MacAdam,[1] President and Chief Executive Officer	1999	125,235	87,500[2]	Nil	Nil	Nil	Nil	375,000[4]
	1998	210,169	60,000[2]	Nil	Nil	Nil	Nil	Nil
	1997	148,295	60,000[2]	Nil	1,600,000	Nil	Nil	Nil
Richard A. Janeczko,[5] Executive Vice President	1999	129,064	50,000[2]	Nil	Nil	Nil	Nil	Nil
	1998	119,554	40,000[2]	Nil	100,000	Nil	Nil	Nil
	1997	36,667	20,000[2]	Nil	300,000	Nil	Nil	Nil
David D. Wales,[6] Controller	1999	109,793	5,000[2]	Nil	50,000	Nil	Nil	Nil
	1998	67,954	20,000[2]	Nil	50,000	Nil	Nil	Nil
	1997	-----	-----	-----	-----	-----	-----	-----

Notes:

(1) Mr. MacAdam was appointed as President and Chief Executive Officer of the Corporation on January 7, 1997.

(2) Bonuses show as compensation in year earned and are paid out in the following year.

(3) Mr. Lockie was appointed as Interim President and Chief Executive Officer on September 30, 1999, and has been Chairman of the Board of Directors since 1997.

(4) Other compensation for Mr. MacAdam was paid pursuant to the terms of a severance agreement between Mr. MacAdam and the Company dated September 30, 1999. Of the $375,000 total severance, $131,250 was paid from October 1 to December 31, 1999 and $43,750 was paid from January 1 through March 31, 2000. The remaining $200,000 represents the fair value of 1,500,000 Common Shares when issued to Mr. MacAdam on October 1, 1999.

(5) Dr. Janeczko was hired as Vice President, Business Development on September 1, 1997. In February 2000, Dr. Janeczko was appointed as Executive Vice President.

(6) Mr. Wales was hired as the Controller of the Company on March 1, 1998.

Grant of Options

The following table provides information concerning grants of options made to Named Executive Officers during the fiscal year ended December 31, 1999:

Option Grants During the Most Recently Completed Financial Year

Name	Securities Under Options Granted (#)	% of Total Options Granted to Employees in Financial Year	Exercise or Base Price ($/Security)	Market Value of Securities Underlying Options on the Date of Grant ($/Security)	Expiration Date
Richard L. Lockie	---	---	---	---	---
Donald H. MacAdam	---	---	---	---	---
Richard A. Janeczko	---	---	---	---	---
David D. Wales	50,000	0.01	0.33	0.33	March 16, 2004

Year-End Value of Unexercised Stock Options

The following table provides information concerning the value of unexercised options held by the Named Executive Officers on December 31, 1999:

Name and Principal Position	Securities Acquired on Exercise (#)	Aggregate Value Realized ($)	Unexercised Options at FY-End (#) Exercisable/ Unexercisable	Value of Unexercised In-the-Money Options at FY-End[(1)] ($) Exercisable/ Unexercisable
Richard L. Lockie	-----	-----	-----	-----
Donald H. MacAdam	-----	-----	-----	-----
Richard A. Janeczko	-----	-----	250,000/250,000	0/0
David D. Wales	-----	-----	25,000/75,000	0/0

Note:

(1) The closing price of the Common Shares on the CDNX on December 31, 1999 was $0.15.

STOCK OPTIONS

The Company has adopted a share option plan (the "Share Option Plan") and conditionally allotted and reserved up to 6,500,000 of its authorized but unissued Common Shares for issuance pursuant to the Share Option Plan. The purpose of the Share Option Plan is to secure for the Company and its shareholders the benefits of incentives inherent in share ownership by directors, officers, employees and consultants. Options to purchase Common Shares may be granted under the Share Option Plan only to directors, officers, employees and consultants of the Company and its subsidiaries, as determined by the Company's board of directors, and are not transferable except in the case of death. The aggregate number of Common Shares at any time that are available for issuance under the Share Option Plan is not permitted to exceed 6,500,000 of the authorized but unissued Common Shares. Each option granted under the Share Option Plan, unless sooner terminated pursuant to the provisions of the Share Option Plan, expires on a date determined by the board of directors which may not be later than 5 years from the date the option is granted. The exercise price of any option granted will be determined by the board of directors of the Company, but may not be less than the latest closing price of the Common Shares on any stock exchange as the board of directors shall prescribe on the last trading day preceding the date of grant, less any permissible discount or otherwise as required by applicable securities laws.

The table below sets forth certain information pertaining to the 1,733,600 options outstanding under the Share Option Plan as at March 31, 2000:

Class of Optionee	Number Outstanding	Exercise Price	Market Price at Date of Grant	Expiry Date
Executive Officers of the Company and its subsidiary as a group (total 5)	660,000	$0.23 - $1.40	$0.23 - $1.40	August 26, 2001 - March 31, 2005
Directors of the Company and its subsidiary who are not also Executive Officers as a group (total 3)	80,000	$0.30 - $1.40	$0.30 - $1.40	May 23, 2002 - March 1, 2005
Other employees and consultants of the Company and its subsidiary as a group (total 18)	993,600	$0.23 - $1.40	$0.23 - $1.40	January 7, 2001 - March 1, 2005

ESCROWED SHARES

As at March 31, 2000, 3,000,000 Common Shares (the "Escrowed Shares"), representing 4% of the outstanding Common Shares, were held in escrow with CIBC Mellon Trust Company (the "Share Escrow Agent") pursuant to an escrow agreement dated April 29, 1993 (the "Share Escrow Agreement") between the Company, the Share Escrow Agent and certain shareholders of the Company.

The Escrowed Shares will be held by the Share Escrow Agent and will only be released with the prior consent of applicable regulatory authorities. The applicable regulatory policy provides for release based on the Company's cumulative cash flow.

The Company regularly issues share options pursuant to the terms of its Share Option Plan. See "Stock Options".

PRIOR ISSUANCES

During the twelve month period prior to the date of this prospectus, the Company issued Common Shares pursuant to the terms of its Share Option Plan or pursuant to previously issued Common Share purchase warrants as follows:

Date of Issuance	Number of Common Shares Issued	Issue Price Per Common Share $	Aggregate Issue Price $	Nature of Consideration Received
September 30, 1999[(1)]	1,500,000	0.133	200,000	Services
February 10, 2000[(2)]	20,000	0.44	8,800	Cash
February 17, 2000[(2)]	10,000	0.30	3,000	Cash
February 18, 2000[(2)]	30,000	0.56	16,800	Cash
February 21, 2000[(2)]	30,000	0.30	9,000	Cash
February 22, 2000[(2)]	7,500	0.56	4,200	Cash
February 23, 2000[(3)]	250,000	0.80	200,000	Cash
February 29, 2000[(2)]	7,500	1.00	7,500	Cash
March 1, 2000[(4)]	218,749	1.00	218,749	Cash
March 6, 2000[(2)]	200,000	0.44	88,000	Cash

Date of Issuance	Number of Common Shares Issued	Issue Price Per Common Share $	Aggregate Issue Price $	Nature of Consideration Received
March 6, 2000[2]	50,000	1.00	50,000	Cash
March 7, 2000[3]	260,000	0.80	208,000	Cash
March 9, 2000[3]	405,000	0.80	324,000	Cash
March 9, 2000[4]	140,625	1.00	140,625	Cash
March 16, 2000[2]	12,500	0.33	4,125	Cash
March 20, 2000[2]	37,500	0.56	21,000	Cash
March 20, 2000[2]	3,400	0.33	1,122	Cash
March 23, 2000[2]	10,000	1.00	10,000	Cash

Notes:

(1) Pursuant to a severance agreement dated September 30, 1999 between the Company and Donald H. MacAdam, the former President and Chief Executive Officer of the Company, the Company issued 1,500,000 Common Shares to Mr. MacAdam. See "Executive Compensation".

(2) These Common Shares were issued pursuant to the exercise of previously issued stock options under the Company's Share Option Plan. See "Stock Options".

(3) These Common Shares were issued pursuant to the exercise of previously issued Underwriter's Compensation Options.

(4) These Common Shares were issued pursuant to the exercise of previously issued Common Share purchase warrants.

PRICE RANGE AND TRADING VOLUME

The Common Shares are listed on the Canadian Venture Exchange Inc. (the "CDNX"). The following tables set forth the market price range and trading volume of the Common Shares for the periods indicated, as reported by the CDNX or, prior to November 29, 1999, the Vancouver Stock Exchange (the "VSE"):

CDNX/VSE Price per Share

	High $	Low $	Trading Volume
1998			
First Quarter	1.22	0.53	2,974,213
Second Quarter	1.10	0.78	1,926,583
Third Quarter	0.85	0.50	1,189,160
Fourth Quarter	0.65	0.25	3,195,711
1999			
First Quarter	0.55	0.24	2,169,532
Second Quarter	0.38	0.22	1,981,275
Third Quarter	0.29	0.14	1,026,850
Fourth Quarter	0.23	0.11	3,624,748
2000			
January	0.85	0.15	6,279,738
February	1.90	0.45	20,437,668
March	4.50	1.10	27,830,091

On January 9, 2000, the last day of trading before the offering of the Special Warrants was announced, the closing price of the Common Shares on the CDNX was $0.18 per Common Share.

RISK FACTORS

An investment in the Common Shares and the Warrants is highly speculative and involves a number of significant risk factors which a prospective purchaser should consider. In addition to the factors disclosed elsewhere in this prospectus, a purchaser should consider the following:

History of Operating Losses: To date, the Company has not recorded significant revenues from the sale of DNA-based products or collaborative research agreements. The Company has an accumulated operating deficit

of $18,477,438 as at December 31, 1999 and expects such operating losses to continue as its commercialization efforts progress.

Development Stage Company: No Assurance of Future Success or Profitability: The Company is in the early stages of development with respect to commercialization of its technologies and, accordingly, its business operations are subject to all of the risks inherent in the establishment and maintenance of a new business enterprise, including its ability to manage growth. As a result of its early stage of development, there can be no assurance that profitable operations can be achieved in the future or that, if achieved, they can be maintained. The Company has relied on external financing to fund its research and development efforts and its marketing initiatives to date and will continue to require external financing unless sales substantially above historical levels are achieved. There can be no assurance that such external financing will be obtainable.

New Products and Technological Change: The Company's success may be affected by market acceptance of its technology and by the timing and acceptance of products introduced by its competitors. There can be no assurance that the Company will be successful in identifying, developing, manufacturing and marketing new products. In addition, there can be no assurance that products or technologies developed by others will not render the Company's products or technologies non-competitive or obsolete.

Patents and Proprietary Technology: The Company's success is heavily dependent upon proprietary technology. The patent position of biotechnology companies is generally uncertain and involves complex legal and factual questions. Although the Company has exclusive license and/or ownership to four United States patents, the Company does not know whether any of its other patent applications will result in the issuance of any patents or, if issued, whether such patents will provide a competitive advantage or will afford protection against competitors with similar technology, or whether such patents will be successfully challenged or circumvented.

Others may have filed applications for or may have received patents and may obtain additional and proprietary rights to technology, innovations or processes used by or competitive with those of the Company. The issuance of such patents could adversely affect the ability of the Company to market and sell its products. If a licence is required, there can be no assurance that the Company will be able to obtain such a licence or that, if obtainable, such a licence would be available on reasonable terms.

The commercial success of the Company will depend in part on the Company not infringing patents or proprietary rights of others and not breaching any licence granted to the Company. Further, there can be no assurance that the Company's patents, if issued, would be held valid by a court of competent jurisdiction. The Company may also become involved in interference proceedings in connection with one or more of its patents or patent applications to determine priority of invention, which could result in substantial cost to the Company, as well as a possible adverse decision as to the priority of invention of the patent or the patent application involved.

The Company relies upon unpatented proprietary technology, and no assurance can be given that third parties will not independently develop proprietary information and techniques substantially equivalent or gain access to the Company's trade secrets or disclose such technology to the public. In addition, the obligation to maintain the confidentiality of such proprietary technology could be breached wrongfully by employees, consultants or advisors of the Company or others, or the Company could be unable to maintain and protect unpatented proprietary technology. See "Business of the Company - Intellectual Property".

Dependence on Collaborative Partners: The Company's success is dependent upon its ability to establish and maintain relationships with collaborative partners. Thus, the Company's performance may depend on the success of other companies.

Competition: The biotechnology industry is characterized by extensive research efforts, rapid technological change and intense competition. Some of the companies which could be considered competitors of the Company may have greater financial and technical resources, more extensive research and development capabilities,

greater marketing, distribution and production systems and more extensive human resources than the Company. There can be no assurance that the Company will be able to continue to compete successfully with existing or new competitors.

Dependence on Key Personnel: The Company's success depends to a significant extent upon a number of key employees and consultants, including Messrs. Hines, Janeczko and Zastawny and the other members of management. The loss of the services of one or more of these key employees could have a material adverse effect on the Company. The Company believes that its future success will also depend in large part upon its ability to attract and retain highly-skilled technical, research and development, managerial and marketing personnel. Competition for such personnel is intense. There can be no assurance that the Company will be successful in attracting and retaining the personnel it requires to continue its growth. The Company does not have any key-man insurance.

Management of Growth: The Company is expecting that, if its efforts are successful, it will experience rapid growth. This rapid growth could place a significant strain on the resources of the Company. If the Company's management is unable to manage growth effectively, the Company's business, results of operations and financial condition could be adversely affected.

Possible Volatility of Share Price; Dilution: The Common Shares are currently listed on the CDNX. Factors such as announcements of technological innovation or the introduction of new products by the Company or its competitors may have a significant impact on the market price of the Common Shares. In addition, the stock market has experienced volatility which has particularly affected the market prices of equity securities of many high technology companies and which often has been unrelated to the operating performance of such companies. These market fluctuations may adversely affect the price of the Common Shares.

Dilution: Purchasers of the Common Shares offered hereby will suffer an immediate and substantial dilution in the net tangible book value of the Common Shares from the offering price. See "Dilution".

Inability to Raise Future Capital: The Company may be unable or limited in its ability to raise capital in the future. As a result, the Company's ability to adapt to change and respond to new business opportunities may be limited.

Government Regulation: The development and testing of products using Tm's technology is generally subject to substantial government regulation. Regulatory compliance can take several years and can involve substantial expenditures. There can be no assurance that difficulties or excessive costs will not be encountered by the Company in its efforts to secure necessary approvals or licences, which could delay or prevent the Company from marketing its products.

Environmental Regulations: The Company is subject to a variety of environmental regulations, including those relating to the use, storage, discharge and disposal of hazardous chemicals used during its research and development process. Any failure by the Company to comply with present or future regulations may subject it to future liabilities or the suspension of research and development which could have a material adverse effect on the Company's business. To-date, such regulations have not restricted the Company's ability to carry on its business or required the Company to incur material expenditures.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director, senior officer or other insider, or any associate or affiliate of any thereof, has or had any material interest in any transaction within the past three years or in any transaction that has materially affected or will materially affect the Company, other than a loan entered into between Canadian Medical Discoveries Fund Inc. and the Company pursuant to a loan agreement dated as of December 12, 1997, which loan has been repaid in full. See "Prior Issuances".

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 the Company within the past two years or which are proposed to be entered into:

1. the First Agency Agreement dated January 31, 2000 referred to under "Plan of Distribution";

2. the Second Agency Agreement dated January 31, 2000 referred to under "Plan of Distribution";

3. the Series A Special Warrant Indenture dated January 31, 2000 referred to under "Plan of Distribution";

4. the Supplemental Series A Special Warrant Indenture dated February 7, 2000 referred to under "Plan of Distribution";

5. the Series B Special Warrant Indenture dated February 7, 2000 referred to under "Plan of Distribution";

6. the Series A Warrant Indenture dated January 31, 2000 referred to under "Plan of Distribution";

7. the Supplemental Series A Warrant Indenture dated February 7, 2000 referred to under "Plan of Distribution";'

8. the Series B Warrant Indenture dated February 7, 2000 referred to under "Plan of Distribution";

9. the certificates representing the First Agent's Warrants and the Second Agent's Warrants referred to under "Plan of Distribution";

10. the agreements under which the First Compensation Options and Second Compensation Options will be issued referred to under "Plan of Distribution";

11. a warrant indenture between CIBC Mellon Trust Company and the Company dated June 24, 1998 providing for the issuance of up to 10,325,625 Common Share purchase warrants to acquire up to 10,325,625 Common Shares; and

12. an agreement between the Agent and the Company dated June 24, 1998 providing for the issuance of 1,309,625 non-assignable warrants to acquire 1,309,625 compensation options.

Copies of these agreements may be examined at the head and principal office of the Company during normal business hours during the course of the distribution qualified by this prospectus.

LEGAL MATTERS

Certain legal matters in connection with the offerings were passed upon by Torys on behalf of the Company, and by Burstall Ward on behalf of the Agent. As of March 31, 2000, partners and associates of Torys and Burstall Ward, as a group, owned beneficially, directly or indirectly, less than 1% of the Common Shares.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are Ernst & Young LLP, Ernst & Young Tower, P.O. Box 251, 222 Bay Street, 21st Floor, Toronto-Dominion Centre, Toronto, Ontario M5K 1J7.

The transfer agent and registrar for the Common Shares is CIBC Mellon Trust Company, at its principal offices in Toronto, Vancouver and Calgary.

PURCHASERS' STATUTORY RIGHTS

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

CONTRACTUAL RIGHT OF ACTION FOR RESCISSION

In the event that a holder of Special Warrants, who acquires Common Shares and Warrants upon the exercise of the Special Warrants as provided for in this prospectus, is or becomes entitled under the securities legislation of Ontario, British Columbia and Alberta to the remedy of rescission by reason of this prospectus or any amendment thereto containing a misrepresentation, such holder shall be entitled to rescission with respect to both the Common Shares and the Warrants and the purchase of the Special Warrants, and shall be entitled in connection with such rescission to a full refund from the Company of the amount of the purchase price paid to the Company on the acquisition of the Special Warrants. In the event such holder is a permitted assignee of the interest of the original Special Warrants subscriber, such permitted assignee shall be entitled to exercise the rights of rescission and refund granted hereunder as if such permitted assignee was the original subscriber. The foregoing are in addition to any other right or remedy to a holder of Special Warrants under the applicable Securities Act or otherwise at law and are subject to the defences, limitations and other provisions of such legislation.

AUDITORS' REPORT

To the Directors of
Tm Bioscience Corporation

We have audited the consolidated balance sheets of **Tm Bioscience Corporation** as at December 31, 1999 and 1998 and the consolidated statements of loss and deficit and cash flows for each of the years in the three year period ending December 31, 1999. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and 1998 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 1999 then ended in accordance with accounting principles generally accepted in Canada.

Toronto, Canada,

February 14, 2000. Chartered Accountants

(Except as to Note 11, which is as of ■)

Tm Bioscience Corporation
Incorporated under the laws of Ontario

CONSOLIDATED BALANCE SHEETS

As at December 31

	1999 $	1998 $
ASSETS		
Current		
Cash and cash equivalents	**138,882**	4,325,354
Short-term investments	**917,141**	—
Cash and cash equivalents held in escrow *[note 4[b]]*	**—**	5,364,926
Accounts receivable	**12,087**	37,879
Prepaid expenses	**15,639**	20,779
Total current assets	**1,083,749**	9,748,938
Capital assets, net *[note 3]*	**455,205**	710,388
Other	**—**	23,802
	1,538,954	10,483,128
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities *[note 9]*	**461,609**	1,004,056
Due to Special Warrant holders *[note 5[b]]*	**—**	5,364,926
Total current liabilities	**461,609**	6,368,982
Shareholders' equity		
Capital stock *[notes 5 and 6]*	**19,554,783**	19,327,126
Deficit	**(18,477,438)**	(15,212,980)
Total shareholders' equity	**1,077,345**	4,114,146
	1,538,954	10,483,128

See accompanying notes

On behalf of the Board:

John R. Frederick
Director

Richard L. Lockie
Director

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

Years ended December 31

	1999	**1998**	**1997**
	$	$	$
REVENUE			
Interest income	**112,114**	210,647	37,570
Collaborative research funding	**56,093**	—	—
	168,207	210,647	37,570
EXPENSES			
Research and development	**1,299,174**	2,986,643	1,482,399
General and administrative	**1,586,651**	1,442,313	807,646
Restructuring charge *[note 9]*	—	1,100,000	—
Patents	**321,631**	306,285	114,936
Amortization	**225,209**	232,568	47,494
Interest *[note 4]*	**—**	289,563	31,233
	3,432,665	6,357,372	2,483,708
Net loss for the year	**(3,264,458)**	(6,146,725)	(2,446,138)
Deficit, beginning of year	**(15,212,980)**	(9,066,255)	(6,620,117)
Deficit, end of year	**(18,477,438)**	(15,212,980)	(9,066,255)
Loss per common share	**(0.05)**	(0.11)	(0.06)

See accompanying notes

Tm Bioscience Corporation

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31

	1999 $	1998 $	1997 $
OPERATING ACTIVITIES			
Net loss for the year	**(3,264,458)**	(6,146,725)	(2,446,138)
Add items not involving cash			
Amortization	**225,209**	232,568	47,494
Non-cash compensation *[note 5]*	**200,000**	—	—
Loss on disposal of capital assets	**600**	—	—
Restructuring write-down of capital assets *[note 9]*	**—**	287,931	—
	(2,838,649)	(5,626,226)	(2,398,644)
Net change in non-cash working capital balances related to operations	**(511,515)**	59,803	(5,921)
Cash used in operating activities	**(3,350,164)**	(5,566,423)	(2,404,565)
INVESTING ACTIVITIES			
Proceeds from sale of capital assets	**29,374**	—	**—**
Purchase of capital assets	**—**	(925,163)	(264,281)
Cash held in escrow	**5,364,926**	(5,364,926)	**—**
Increase in short-term deposits	**(917,141)**	**—**	**—**
Decrease (increase) in other assets	**23,802**	(12,864)	**—**
Cash provided by (used in) investing activities	**4,500,961**	(6,302,953)	(264,281)
FINANCING ACTIVITIES			
Special warrants issued	**—**	13,850,083	**—**
Paid to Special Warrant Holders	**(5,364,926)**	**—**	**—**
Common shares issued on warrants/options exercised	**27,657**	2,398,739	**—**
Increase (decrease) in demand loan payable	**—**	(4,000,000)	4,000,000
Common shares issued in private placements	**—**	—	3,005,000
Decrease in notes payable	**—**	—	(415,323)
Cash provided by financing activities	**(5,337,269)**	12,248,822	6,589,677
Net increase (decrease) in cash and cash equivalents during the year	**(4,186,472)**	379,446	3,920,831
Cash and cash equivalents, beginning of year	**4,325,354**	3,945,908	25,077
Cash and cash equivalents, end of year	**138,882**	4,325,354	3,945,908
Supplemental cash flow information			
Cash interest paid	**—**	320,548	**—**

See accompanying notes

December 31, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements of Tm Bioscience Corporation the "Company" or "Tm" include the accounts of the company and its wholly-owned United States subsidiary, Tm Technologies, Inc. Tm Technologies, Inc. is currently inactive.

The Company is a development stage enterprise and has yet to attain profitable operations. Its ability to realize its assets and discharge its liabilities in the normal course of business is dependent upon achieving profitable operations and financing its activities in the interim.

Cash and cash equivalents and cash held in escrow

Cash equivalents and cash held in escrow consist principally of short-term interest bearing notes and treasury bills with original maturities of not greater than 90 days. Such investments are recorded at cost, which approximates market value, and interest income is recorded on an accrual basis.

Short-term investments

Short-term investments consist principally of short-term interest bearing notes and treasury bills with original maturities of not greater than 365 days.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided in the accounts using rates and methods designed to amortize the cost of the assets over their estimated useful lives as follows:

Equipment	30% declining balance
Leasehold improvements	Straight-line over the term of the lease

Research and development

Research costs are expensed. Development costs related to the enhancement of the Company's technology are expensed in the year in which they are incurred unless the costs meet generally accepted accounting criteria for deferral and amortization. No development costs have been deferred to date.

Foreign currency translation

Foreign currency transactions are translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities denominated in U.S. dollars are translated into Canadian dollars at the year-end exchange rate. Other assets are translated at the historical exchange rate. Revenue and expenses are translated at average rate prevailing during the year, except for amortization which is translated at historical rates. Translation gains and losses are included in net loss for the year.

Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the consolidated financial statements. Actual results could differ from these estimates.

Financial instruments

The fair value of financial instruments approximates book value unless otherwise indicated.

Loss per common share

Loss per common share is based on the weighted average number of shares outstanding during the year. Potentially dilutive securities have been excluded from the computation as their effect is anti-dilutive.

Income taxes

Income taxes are accounted for using the deferral method.

Revenue recognition

Collaborative research revenue is recognized in the year the related research expenditures are incurred. Funds received in advance of meeting the criteria for revenue recognition are deferred.

Stock-based compensation plans

The company has one stock-based compensation plan which is described in note 6. No compensation expense is recognized for this plan when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital.

2. SHORT TERM INVESTMENTS

Short term investments are recorded at cost, which approximates market value, and interest income is recorded on an accrual basis. At December 31, 1999 the average annual yield for these investments was 5%.

3. CAPITAL ASSETS

Capital assets consist of the following:

	1999		**1998**	
	Cost	**Accumulated amortization**	**Cost**	**Accumulated amortization**
	$	$	$	$
Equipment	**581,811**	**193,257**	621,811	26,732
Leasehold improvements	**121,999**	**55,348**	121,999	6,690
	703,810	**248,605**	743,810	33,422
Less accumulated amortization	**248,605**		33,422	
Net book value	**455,205**		710,388	

4. INTEREST ON DEMAND LOAN

In December 1997, the Company received a demand loan from MDS Capital Corp. "MDS Capital" and related investment funds. The loan was collateralized by a general security agreement and subordinated to all other existing secured debt. Interest was 15% per annum and payable on a cumulative basis on June 30, 1998 and monthly thereafter. The loan was repaid in June 1998 including accrued interest of $320,548, of which $31,233 related to fiscal 1997.

In connection with the loan, the lender received 2,000,000 bonus warrants. The warrants, which had a term of two years from December 12, 1997 and were exercisable into 2,000,000 common shares at a price of $0.50 per share, expired on December 12, 1999.

5. CAPITAL STOCK

The authorized share capital of the company consists of unlimited preference shares and unlimited common shares.

Issued common shares

	#	$
Balance, December 31, 1995 and 1996	21,544,120	5,344,230
Common shares issued in private placement [a]	20,500,000	2,905,000
Common shares issued to an officer and director [e]	370,370	100,000
Common shares issued on conversion of non-interest bearing debenture by MDS Capital [d]	626,666	94,000
Balance, December 31, 1997	43,041,156	8,443,230
Common shares issued on exercise of options	285,000	113,000
Common shares issued on exercise of outstanding warrants *[a]*	13,339,666	2,285,739
Common shares issued on exercise of Special Warrants *[b]*	11,923,125	8,485,157
Balance, December 31, 1998	68,588,947	19,327,126
Common shares issued on exercise of outstanding warrants *[a]*	160,333	27,657
Common shares issued pursuant to employment termination agreement, at fair value	1,500,000	200,000
Balance, December 31, 1999	**70,249,280**	**19,554,783**

[a] Pursuant to a private placement, the Company issued a total of 13,500,000 warrants which entitled the holder of a warrant to purchase one common share at an exercise price of $0.15 per share to January 7, 1998 and $0.1725 per share to January 7, 1999. As at December 31, 1999 there were no outstanding warrants.

[b] On June 24, 1998, the company issued 18,471,250 Special Warrants at $0.80 per Special Warrant for gross proceeds of $14,777,000 [$13,723,657 net of commission and expenses]. Each Special Warrant entitled the holder the right to acquire, without payment of additional consideration, one common share and one-half of one warrant.

As additional consideration, the Company granted its underwriter non-assignable warrants to acquire, for no consideration, 1,309,625 compensation options. Each compensation option entitles the underwriter to acquire until June 24, 2000, one Unit, subject to adjustment in certain circumstances, at an exercise price of $0.80 per Unit. Each Unit comprises one common share and one-half of one warrant.

Each warrant entitles the holder to purchase one common share of the Company for $1.00 at any time prior to June 24, 2000.

On September 21, 1998, 11,923,125 of the Special Warrants were exercised, resulting in the issuance of 11,923,125 common shares and 5,961,563 common share purchase warrants. The proceeds of the 6,548,125 remaining Special Warrants the "Remaining Special Warrants" were deposited in escrow pursuant to an escrow agreement which provided holders of the Remaining Special Warrants with the right to rescind the purchase of the Remaining Special Warrants if the Company did not achieve aggregate consolidated revenue in its fiscal year ended December 31, 1998 of at least $1,000,000 from its DNA product platforms and related products and services. This was not achieved and, accordingly, in January 1999, holders of Remaining Special Warrants exercised their right to rescind in full, resulting in reimbursement of $5,238,500 plus accrued interest of $126,426.

[c] As at December 31, 1999 and 1998, 3,000,000 of the common shares were subject to an escrow arrangement. These common shares will only be released with the prior consent of applicable regulatory authorities.

[d] During the year ended December 31, 1997, $94,000 of convertible debentures were converted to common shares. This transaction has been excluded from the Statement of Cash Flows.

[e] During the year ended December 31, 1997, an officer and director of the Company acquired, by private placement, 370,370 Common Shares for cash consideration of $100,000.

6. STOCK-BASED COMPENSATION PLAN

In May 1998, the Company formalized a share option plan the "Share Option Plan" and allotted and reserved up to 6,500,000 of its authorized but unissued common shares for issuance pursuant to the Share Option Plan. Under the Share Option Plan, the exercise price of each option is based upon the closing market price of the Company's stock on the last trading day preceding the date of the grant. Options granted under the Share Option Plan vest on a cumulative basis at 25% per year for four years and expire after five years from the date of the grant.

Terms and conditions for options granted prior to formalization of the Share Option Plan remain as issued. Of the 1,812,000 options outstanding at December 31, 1999, 730,000 were issued with varying terms of which 495,000 were exercisable at year end. Of the 730,000 options outstanding, 300,000 options at a weighted average exercise price of $ 0.315 expire January 7, 2001, 330,000 options at a weighted average exercise price of $0.44 expire August 26, 2001 and 100,000 options at a weighted average exercise price of $0.56 expire January 29, 2002.

The table below sets forth information relating to the 1,812,000 options outstanding under the Share Option Plan as follows:

	1999		1998		1997	
	Shares #	Weighted average exercise price $	Shares #	Weighted average exercise price $	Shares #	Weighted average exercise price $
Outstanding, beginning of year	**4,110,000**	**0.50**	3,725,000	0.39	725,000	0.65
Granted	**339,600**	**0.29**	1,120,000	0.96	3,000,000	0.33
Exercised	—	—	(285,000)	0.40	—	—
Forfeited	**(2,637,600)**	**0.38**	(450,000)	0.80	—	—
Outstanding, end of year	**1,812,000**	**0.58**	4,110,000	0.50	3,725,000	0.39
Options exercisable at year end	**720,000**		1,425,000		616,250	

December 31, 1999

Range of exercise prices $	**Options outstanding at December 31, 1999** #	**Weighted average remaining contractual life years** #	**Weighted average exercise price** $	**Options exercisable at December 31, 1999** #	**Weighted average exercise price** $
0.23 to 0.33	**762,000**	**2.7**	**0.30**	**295,000**	**0.31**
0.44 to 0.56	**430,000**	**1.8**	**0.47**	**270,000**	**0.46**
1.00	**620,000**	**3.4**	**1.00**	**155,000**	**1.00**
0.23 to 1.00	**1,812,000**	**2.7**	**0.58**	**720,000**	**0.48**

7. LEASE COMMITMENTS

The Company is obligated under premises and equipment leases to make minimum future annual payments expiring through 2003 as follows:

	$
2000	125,000
2001	16,000
2002	3,000
2003	1,000

8. INCOME TAXES

At December 31, 1999, the Company and its subsidiary, Tm Technologies, Inc., have non-capital income tax losses and net operating losses of approximately Cdn.$6,817.000 and U.S.$2,920,000, respectively, which are available for carry forward to reduce future years' taxable income. These income tax losses expire as follows:

	Cdn. $	**U.S.** $
2000	216,000	
2001	216,000	—
2002	208,000	—
2003	174,000	—
2004	785,000	—
2005	2,161,000	—
2006	3,057,000	—
2017	—	795,000
2018	—	2,125,000
	6,817,000	2,920,000

In addition, the Company has net capital losses in Canada of approximately $33,000 available for application against net taxable capital gains of future years. The Company also has alternative minimum tax credits of approximately U.S. $35,000 available for application against future years' taxable income in the United States.

The potential benefit arising from these tax losses has not been recognized in these consolidated financial statements because their realization is not virtually certain.

9. RESTRUCTURING CHARGE

In 1998, the Company recorded a restructuring charge of $1,100,000. This charge related to the Company's decision to close its facility located in Woburn, Massachusetts and centralize its scientific resources at its facility in Toronto, Ontario. As at December 31, 1998, $700,000 of this amount was included in accounts payable and accrued liabilities.

10. SEGMENTED INFORMATION

The Company considers itself to be in one segment, the research and development of DNA technology.

11. SUBSEQUENT EVENTS

Subsequent to December 31, 1999, the Company completed a private placement of 10,000,001 Series A Special Warrants and 10,000,008 Series B Special Warrants at a price of $0.135 per Series A Special Warrant and $0.35 per Series B Special Warrant for aggregate gross proceeds of $4,850,003. Each Series A Special Warrant entitles the holder to receive upon exercise, one common share and one common share purchase warrant exercisable at a price of $0.18 expiring January 31, 2002. Each Series B Special Warrant entitles the holder to receive upon exercise, one common share and three-quarters of one common share purchase warrant with each whole purchase warrant exercisable at a price of $0.35 and expiring February 7, 2002.

The Company also issued First Compensation Warrants which are exercisable, for no additional consideration, for First Compensation Options to purchase 1,000,000 units, each comprising of one common share and one common share purchase warrant at a price of $0.135 per unit until January 31, 2002. Each common share purchase warrant is exercisable at a price of $0.18, expiring January 31, 2002. The Company also issued Second Compensation Warrants which are exercisable, for no additional consideration, for Second Compensation Options to purchase 1,000,000 units, each comprising of one common share and three-quarters of one common share purchase warrant at a price of $0.35 per unit up until February 7, 2002. Each common share purchase warrant is exercisable at a price of $0.35, expiring February 7, 2002.

If receipt of a final prospectus qualifying the distribution of the securities is not issued by all applicable regulatory authorities by May 30, 2000, holders of Series A Special Warrants will be entitled to acquire upon exercise, 1.1 Common Shares per Series A Special Warrant (in lieu of one Common Share) and 1.1 Series A Warrants (in lieu of one Series A Warrant). Holders of Series B Special Warrants will be entitled to acquire upon exercise, 1.1 Common Shares per Series B Special Warrant (in lieu of one Common Share) and 0.825 Series B Warrants (in lieu of three-quarters of one Series B Warrant).

Subsequent to December 31, 1999, the Company also issued a total of 1,692,774 Common Shares for gross proceeds of $1,304,921 pursuant to the exercise of 418,400 employee stock options, 359,374 common share purchase warrants and 915,000 agent compensation warrants that were outstanding at December 31, 1999.

CERTIFICATE OF THE COMPANY

Date: March 31, 2000

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part XV of the *Securities Act* (Ontario), Part 7 of the *Securities Act* (British Columbia) and by Part 8 of the *Securities Act* (Alberta), and the respective regulations thereunder.

(Signed)	*Gregory C. Hines* President and Chief Executive Officer	(Signed)	*David D. Wales* Controller, as Chief Financial Officer

On behalf of the Board of Directors

(Signed)	*John R. Frederick* Director	(Signed)	*Richard L. Lockie* Director

CERTIFICATE OF THE UNDERWRITER

Date: March 31, 2000

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part XV of the *Securities Act* (Ontario), Part 7 of the *Securities Act* (British Columbia) and by Part 8 of the *Securities Act* (Alberta) and the respective regulations thereunder.

YORKTON SECURITIES INC.

By: (signed) *Michael J. Denny*

The following includes the name of every person or company having an interest, directly or indirectly, to the extent of not less than five percent in the capital of Yorkton Securities Inc.: G. Scott Paterson and Yorkton Holdings Limited.