Preliminary Prospectus dated September 29, 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.

New Issue •, 2000

SYNX PHARMA INC.

1,450,000 Units to be issued on the exercise of 1,450,000 Special Warrants

(each Unit consisting of One Common Share and One Share Purchase Warrant)

This prospectus relates to the distribution of 1,450,000 units ("Units"), each Unit consisting of one common share (a "Common Share") and one share purchase warrant (a "Series C Warrant") of SynX Pharma Inc. (the "Corporation") to be issued without additional payment upon the exercise or deemed exercise of the 1,450,000 special warrants (the "Special Warrants") previously issued by the Corporation pursuant to prospectus exemptions. The Special Warrants were sold to investors pursuant to an agency agreement dated August 14, 2000 between the Corporation and Octagon Capital Corporation and Thomson Kernaghan & Co. Limited (the "Agents") at a price of $4.00 for each Special Warrant. The issue price of the Special Warrants was determined by negotiation between the Corporation and the Agents.

Subject to adjustment in certain events, each Series C Warrant will entitle the Holder thereof to purchase one Common Share, at any time on or before August 14, 2002 at a price of $4.00 if exercised on or before August 14, 2001 and at a price of $4.25 if exercised thereafter.

The Special Warrants are exercisable at any time on or before 5:00 p.m. (Toronto time) (the "Expiry Date") on the date which is the earlier of: (i) the fifth business day after the date that a receipt is issued by the Ontario Securities Commission (the "Commission") for the final prospectus qualifying the Common Shares and Series C Warrants to be issued upon exercise of the Special Warrants; and (ii) February 14, 2002. Any Special Warrants not exercised on the Expiry Date will be deemed to be exercised by the holder, without any further action on the holder's part, immediately prior to such time. See "Plan of Distribution".

	Price	**Agents' Commission [(1)]**	**Net Proceeds [(2)]**
Per Special Warrant	$4.00	$0.30	$3.70
Total	$5,800,000[(3)]	$435,000	$5,365,000

1. In connection with the Offering, the Corporation has issued to the Agents compensation warrants (the "Broker's Warrants") which entitle the holders thereof to acquire, without additional consideration, on or before the Expiry Date compensation options (the "Compensation Options") which entitle the holders to purchase, on or before August 14, 2002, 145,000 Units at a price of $4.00 per Unit. This prospectus also qualifies the distribution of the Compensation Options. See *"Plan of Distribution".*
2. Before deducting expenses of the issue estimated at $200,000.
3. The Corporation intends to allocate $0.01 of the purchase price of a Special Warrant to the Series C Warrants and the balance to the purchase price of the Common Share.

Investment in the securities issued on the exercise of the Special Warrants should be considered speculative due to various factors. The effective price of each Common Share qualified hereby exceeds the net tangible book value per Common Share as at June 30, 2000, after giving effect to this issue, by $3.64, representing a dilution factor of 91%. See *"Risk Factors"* and *"Dilution"*.

Definitive certificates evidencing the Common Shares and Series C Warrants will be available for delivery upon the exercise or deemed exercise of the Special Warrants. Certain legal matters in respect of this offering will be passed upon for the Corporation by Blake, Cassels & Graydon LLP, Toronto, Ontario and for the Agents by Weir & Foulds, Toronto, Ontario.

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SUMMARY

The following is a summary only and is qualified in its entirety by the more detailed information and the financial statements of the Corporation and notes thereto contained in this prospectus.

THE CORPORATION

SYNX Pharma Inc. ("SynX" or the "Corporation") is a research and development company engaged in the development of rapid format, *in vitro*, point-of-care diagnostic and risk assessment tests for use in preventive medicine and patient management. SynX has developed a test to diagnose stroke, the STROKEPANEL™, which was licensed in 1999 by Genzyme Corporation for worldwide manufacture and distribution. See *"Business of SynX – Strategic Alliance"*. SynX is currently developing several innovative diagnostics for Syndrome X related diseases that include hypertension, diabetes and heart failure.

SynX specializes in discovery research, assay development, and establishment of the clinical utility of its antibody-based products. At the regulatory approval and commercialization stages, SynX's strategy is to form strategic alliances with proven leaders in the pharmaceutical and diagnostic industry to manufacture, distribute, and market its products. This policy is designed to allow SynX to focus on its scientific expertise while increasing the efficiency and effectiveness of bringing its products to the global marketplace.

In addition to SynX's core business, the Corporation has interests in other revenue generating initiatives. These include research and development collaborations with pharmaceutical and biotechnology companies and the in-licensing of therapeutics. SynX also has a Biotech Incubator Program that establishes synergistic, collaborative relationships with early stage biotechnology companies. See *"Biotech Incubator Program"*.

THE OFFERING

Issue: 1,450,000 Units issuable upon the exercise, or deemed exercise, of 1,450,000 Special Warrants previously issued by the Corporation at a price of $4.00 per Special Warrant. Each Unit consists of one Common Share and one Series C Warrant. See *"Details of the Offering"*.

Special Warrants: Subject to adjustment, each Special Warrant entitles the holder thereof to acquire, without additional cost, a Unit consisting of one Common Share and one Series C Warrant at any time on or before the Expiry Date. Any Special Warrants not exercised by the Expiry Date will be deemed to be exercised by the holder, without any further action on the holder's part, immediately prior to such time. See *"Plan of Distribution"*.

Series C Warrants: Subject to adjustment in certain events, each Series C Warrant will entitle the Holder thereof to purchase one Common Share, at any time on or before August 14, 2002 at a price of $4.00 if exercised on or before August 14, 2001 and at a price of $4.25 if exercised thereafter.

Use of Proceeds: The net proceeds of the Offering, after deducting commission paid to the Agents and expenses of the Offering, is approximately $5,165,000. The net proceeds are expected to be used, as to approximately $2,900,000 to fund research and development activities, as to $550,000 to fund clinical trials, as to $350,000 to fund sales and marketing expenditures and the balance of approximately $1,360,000 to working capital. See *"Use of Proceeds"*. There may be circumstances, however, where, for sound business reasons, a reallocation of funds may be necessary.

Risk Factors: Investment in the securities offered hereunder is speculative due to the nature of SynX's business and its present stage of development. Investors should carefully consider certain risks pertaining to an investment in such securities, including the following: dependence on key personnel; reliance on arrangements with strategic collaborators, and if obtained, dependence on such strategic collaborators; risks related to the nature of the research; competition; liquidity and capital requirements; exclusive patents, technologies and trade secrets; and government regulation, including the ability to obtain and maintain required government approvals, which cannot be assured. SynX's continued existence and future expansion will depend on its ability to finance and commercialize its scientific discoveries. See *"Risk Factors"*.

Dilution: The effective price of each Common Share qualified hereby exceeds the net tangible book value per Common Share as at June 30, 2000, after giving effect to this issue, by $3.64, representing a dilution factor of 91%. See *"Dilution"*.

GLOSSARY

Antibody is a protein in the body which is a natural part of the human immune system produced by a specialized cell to recognize and neutralize foreign substances.

Assay means a procedure for the measurement of a variable or quantity of a substance.

Asymptomatic Patients are patients without clinical symptoms of a specific disease.

Atherosclerosis means hardening of the arteries occurring as a result of fat-like substance building up on the walls of the arteries. This build-up narrows the arteries and can slow or block the flow of blood.

Biochemical Marker is a quantifiable indicator of a condition (typically for a biochemical event).

Biotechnology is applied biology directed towards problems in medicine.

Cardiac means relating to the heart.

Cardiac Function is heart function.

Cardiomyopathy is disease of the myocardium, where the heart is enlarged and frail.

Cardiomyoplasty (CM) is a surgical procedure that involves detaching one end of a back muscle and attaching it to the heart. An electric stimulator causes the muscle to contract to pump blood from the heart.

Cardiovascular means relating to the heart and blood vessels (circulation).

Cardiovascular Diseases (CVDs) are heart-related diseases.

Cardiovascular Disease Tissue Bank is a collection or pool of cardiac tissue.

Cardiovascular Pathology is the development of abnormal conditions, structural and functional changes of the cardiovascular system.

Carotid is the artery feeding the brain.

Cerebral Arteriosclerosis is hardening of cerebral (brain) arteries.

Cerebral Emboli is a clot/mass occluding a blood vessel in the cerebral portion of the brain.

Clot is a coagulation/thrombus of blood.

Congestive Heart Failure (CHF) is a heart disease condition that involves loss of pumping ability by the heart, generally accompanied by fluid accumulation in body tissues, especially the lungs.

Coronary Artery Disease is disease of the coronary artery expressed as narrowing of the coronary arteries that feed the heart.

CT Scan is computed temographic scan.

Diabetes Mellitus is a metabolic disease in which insulin deficiency results in carbohydrate utilization being reduced, protein and lipid utilization being enhanced.

Diagnostic means relating to and aiding in the identification of a disease.

Diagnostic and Therapeutic Products are products which aid in or relate to diagnosis and therapy.

DNA is an abbreviation for deoxyribonucleic acid, a molecule in cells which generate a specific protein, such as an enzyme and **cDNA** means complementary DNA.

ELISA is an enzyme-linked immunoassay.

Enzymes are proteins secreted by cells which act as catalysts to induce chemical changes in other substances, itself remaining apparently unchanged by the reaction.

FDA is the United States Food & Drug Administration, an agency of the US government.

Gene is a region of DNA, which controls a discrete hereditary characteristic, usually corresponding to a single protein or RNA (messenger).

Gene Expression is the production of a specific protein.

Genomics is the study of genes.

Heart Failure is failure of the heart to pump enough blood to satisfy the needs of the body.

HPB means the Health Protection Branch of Health Canada, an agency of the government of Canada.

Hybridoma is a tumor derived from the fusion of antibody cell with tumor producing cell (myeloma).

Hypertension (high blood pressure) is high arterial blood pressure.

Immunoassay is an assay using antibodies.

Immunochemistry is the specialized field of chemistry that pertains to immunologic phenomena.

In Vitro refers to tests or samples performed outside of the body.

Ischemia means lack of blood flow.

Ischemic Stroke is a clinical manifestation caused by the lack of blood flow affect by either a mechanical obstruction or a loss of blood supply.

Molecular Biology is the study of the structure and function of biological molecules.

Molecules are particles consisting of two or more atoms held together by chemical bonds; the smallest unit of a compound that displays the properties of a compound.

Monoclonal Antibodies are antibodies secreted by a hybridoma clone, each such clone being derived from a single B cell (lymphocyte) and produce a specific antibody. These antibodies are useful in structural studies and immunoassays.

Mutated Myostatin is non-functional myostatin resulting from a mutation in the myostatin gene.

Mutations are the changes of a gene from one allelic form to another (i.e., the nucleotide sequence changes).

Myelin Basic Protein (MBP) is found in the myelin sheath of the central nervous system (CNS). Early elevation of MBP indicates whether a patient is undergoing hemorrhage.

Myocarditis is the inflammation of the muscular walls of the heart.

Neuron Specific Enolase (NSE) is a glycolytic enzyme found in the neurons and neuroendocrine cells. Elevation of NSE enzymes occur as a result of ischemic stroke.

Nucleic Acid is a macromolecule consisting of nucleotides; principally DNA and RNA.

POC means point-of-care.

Proteomics is the science that profiles the proteins produced by human genes.

Proteomics Discovery Platformä is proprietary platform to discovering disease associated protein.

Pulmonary Diseases are diseases relating to the lungs, pulmonary vessels.

Rapid Format refers to diagnostic tests which can deliver results quickly (within minutes, e.g., home pregnancy tests).

Reagents are chemicals added to a solution that participate in a chemical reaction.

RNA is an abbreviation for ribonucleic acid and **mRNA** means messenger RNA.

S100 is an acidic calcium binding protein found in the grey matter of the brain predominantly in the schwann and glial cells. Elevation of the S-100 marker is considered a sensitive biochemical marker for the early detection of stroke and brain damage.

Stenosed Arteries are narrowed/contracted arteries.

Stroke can result from a hemorrhage or thrombosis in blood vessels in the brain.

Syndrome X refers to a cluster of risk factors that represent a major cause of coronary heart disease.

Therapeutic means relating to the treatment of disease, usually by drug.

Therapeutic and Diagnostic Tests are tests relating to the aiding of diagnosis or treatment of disease.

Thrombomodulin (TM) is a protein that is found in the vascular endothelium. The detection of thrombomodulin assists in determining whether a patient may hemorrhage or not.

Thrombus is the formation of a clot.

Transgenics are techniques for studying functional effects of specific gene products, that have incorporated one or more genes from another cell/organism and can pass them on to successive generations.

Transient Ischemic Attacks (TIA) are brief periodic attacks of obstructed blood supply in the brain.

Valvular Heart Disease is disease related to the valves of the heart.

Ventricular Dysfunction is the abnormal function of the heart ventricles.

THE CORPORATION

General

SYNX Pharma Inc. (the "Corporation" or "SynX") was incorporated pursuant to the laws of Ontario by certificate and articles of incorporation dated March 11, 1997 under the name Skye PharmaTech Inc. On December 22, 1997, the Corporation filed articles of amendment to effect certain amendments to its articles, including amending the authorized capital of the Corporation. On April 4, 2000, the Corporation filed articles of amendment to change the name of the Corporation to its present name.

SynX is a research and development company engaged in the development of rapid format, *in vitro*, point-of-care diagnostic and risk assessment tests for use in preventive medicine and patient management. SynX has developed a test to diagnose stroke, the STROKEPANEL™, which was licensed in 1999 by Genzyme Corporation for worldwide manufacture and distribution. SynX is currently developing several innovative diagnostics for Syndrome X related diseases that include hypertension, diabetes and heart failure.

SynX's executive and principal offices are located at 6354 Viscount Road, Mississauga, Ontario, L4V 1H3. The registered office of SynX is located at 199 Bay Street, Commerce Court West, Suite 2800, Toronto, Ontario, M5L 1A9.

SYNX'S MARKET SEGMENT

Cardiovascular System

The cardiovascular system is comprised of the heart, the brain, the blood vessels, the kidneys and the lungs. Together, the components of the cardiovascular system deliver oxygen and other nutrients to the tissues of the body and remove waste products. The heart propels blood through a network of arteries and veins. The kidneys closely regulate the blood volume and the balance of electrolytes (such as sodium, potassium and chloride) in the blood, and the lungs oxygenate the blood and remove carbon dioxide. To accomplish these tasks, the cardiovascular system must maintain adequate blood flow, or cardiac output. Cardiac output is determined by such factors as heart rate and blood pressure, which in turn are controlled by a variety of hormones such as adrenaline, angiotensin and adenosine. These hormones are small molecules which exert their effects by binding to specific receptors on the surfaces of a variety of cell types in the heart, lungs, blood vessels and kidneys. Any significant disruption of this system results in cardiovascular disease.

Cardiovascular Diseases

Chronic cardiovascular diseases, including atherosclerosis (hardening of the arteries), hypertension (high blood pressure) and others, may cause permanent damage to the heart and blood vessels, leading to Congestive Heart Failure ("CHF"). CHF occurs when the heart becomes weakened and, as a result, can no longer maintain adequate blood circulation throughout the body. The kidneys respond to this decrease in blood flow by increasing the retention of salt and water, leading to chronic symptoms such as shortness of breath and edema (fluid retention) in the legs and lungs.

According to the American Heart Association 1997 Heart and Stroke Statistical Update, cardiovascular diseases (ACVDs@) represent the most significant healthcare problem in the industrial world. Since 1900, CVDs have remained the single most common cause of death in the United States where more than 57 million people suffer from one or more CVDs with a death toll of more than 954,000 deaths per year. This represents more than 41% of all deaths in the United States.

Since 1993, the incidence of CVDs has risen mainly due to an increase in the occurrence of heart failure. In the United States, healthcare system costs for caring of patients with CVDs exceed US$150 billion a year. Managed care and healthcare system constraints require better resource utilization. Although there have been recent advances in therapeutic and diagnostic tests, the genomics of cardiovascular pathology are not well understood. The introduction of recent therapeutic options has also added new challenges to the healthcare industry.

In the United States, hypertension (50 million patients), coronary artery disease (13.5 million patients), heart failure (4.7 million patients) and stroke (3.8 million patients) are the major cardiovascular illnesses. Most of the healthcare resources allocated to CVDs are directed towards optimizing the therapy and risk assessment of these illnesses.

CHF is a disease that occurs when the pumping power of the heart is reduced by a weakening of the heart muscle, impairing the heart's ability to fill or empty the left ventricle properly. CHF is the final presentation of a variety of

cardiovascular diseases, such as coronary artery disease, hypertension, valvular heart disease, myocarditis, and cardiomyopathy due to diabetes and alcohol abuse. According to Heart and Stroke Facts, a 1996 Annual Report Statistical Supplement of the American Heart Association, a majority of the CHF patients are individuals who have survived a heart attack. In response to the stress and increased demands for cardiac work, the heart is able to maintain cardiac output. However, these short term adjustments eventually fail causing a decreased supply of oxygen to the vital organs, such as the lungs, brain and kidneys, which expresses itself in the patient as fatigue, extreme weakness, shortness of breath, fluid retention and pain in swollen limbs. In its early stages, CHF typically has a moderate impact on the patient's quality of life. However, the patient's condition gradually but steadily deteriorates, with severe limitations on even moderate physical activity, eventually leading to progressive pump failure and sudden death.

CHF is the most common cause of hospital admissions of people older than 65 years in the United States. In this age group, more than 20% of the total hospital admissions are related to CHF. Moreover, more than 30% of these patients are re-admitted to the hospital within 60 days. Although recent therapeutic options have improved care of patients, there has been little impact on survival rates. The figures of mortality due to CHF are very high, approaching up to 60-70% within five years of being diagnosed. The rate of mortality due to CHF is directly correlated to the severity of the disease. These high rates of mortality and hospital re-admission have resulted in the development of several strategies to assess the severity of ventricular dysfunction and patients' risk and therefore, their management strategies. According to Cardiovascular Device Update 11 Nov. 1996, CHF accounts for over 5% of the total annual healthcare expenditures in the United States.

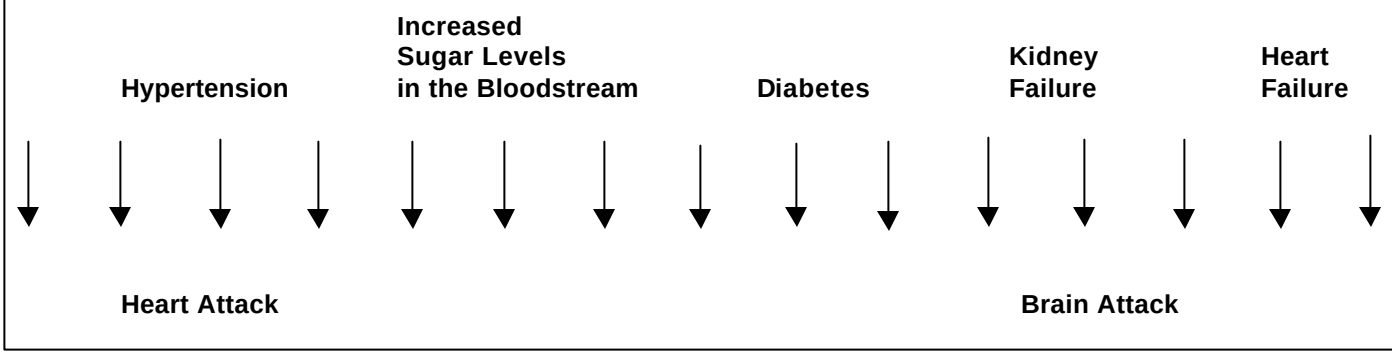
Independent risk factors are still needed to identify patients at risk of developing CHF or other organ failure as a result of cardiovascular disease, in whom more aggressive management may be beneficial. Identification of these patients would lead to the development of programs targeting improved care and reduced costs. SynX is addressing therapeutic and diagnostic solutions to CHF and other organ failure as a result of CVD.

Syndrome X

Cardiovascular disease (CVD) is the number one killer in the United States. It is a progressive disease proceeding through a continuum of hypertension, increased sugar levels, diabetes, kidney failure, and heart failure, with the possibility of stroke and heart attack at any time. This continuum is called Syndrome X and is illustrated in Figure 1 below. SynX believes it is the first company to view Syndrome X as a continuum of interrelated diseases.

The diseases associated with Syndrome X are commonly diagnosed late in the disease process, when irreversible organ damage may have already taken place. Prevention is more effective at the beginning of the Syndrome X continuum, that is in the pre-chemical and pre-clinical phases of disease processes.

Figure 1 ¾ Syndrome X



A patient who begins the Syndrome X continuum risks spiralling into a maze of increasingly serious diseases. The next stages of the Syndrome X continuum lead to overt diabetes, kidney failure, and heart failure, with the possibility of stroke and heart attack at any time. Either increased sugar levels or abnormal blood fats often precede heart attack, heart failure, and stroke. Obesity disposes a person to Type II Diabetes, the most prevalent form of diabetes and may lead to a heart attack and heart failure. 29% of all hypertensives develop End-Stage Renal Disease (ESRD), which severely limits kidney function. Hypertensives are also at increased risk of diabetes, heart attack, and stroke. Insulin resistance often leads to Type II diabetes. 36% of all Type II diabetics develop ESRD, which positions them for total kidney failure.

Syndrome X is a dangerous continuum, and preventative medicine is the best defense. Diseases are currently most easily diagnosed in their later stages, but controlling them at a late stage is extremely difficult. Disease prevention is much more effective at an earlier stage.

Stroke

Stroke is a worldwide epidemic annually affecting 7 million people. In North America, stroke is the number one cause of adult disability, the third leading cause of death (after cardiovascular disease and cancer) and the leading cause of long-term disability. It is estimated by the Ontario Heart Foundation that the annual number of strokes in Canada will increase by 64% over the next two decades.

There are two important clinical variations of stroke:

- **Ischemic stroke** occurs when the artery that supplies the brain with blood becomes obstructed or has suddenly decreased in diameter slowing the flow of blood to the brain. The blockage can be mainly attributed to a build-up of fatty deposits (atherosclerosis).

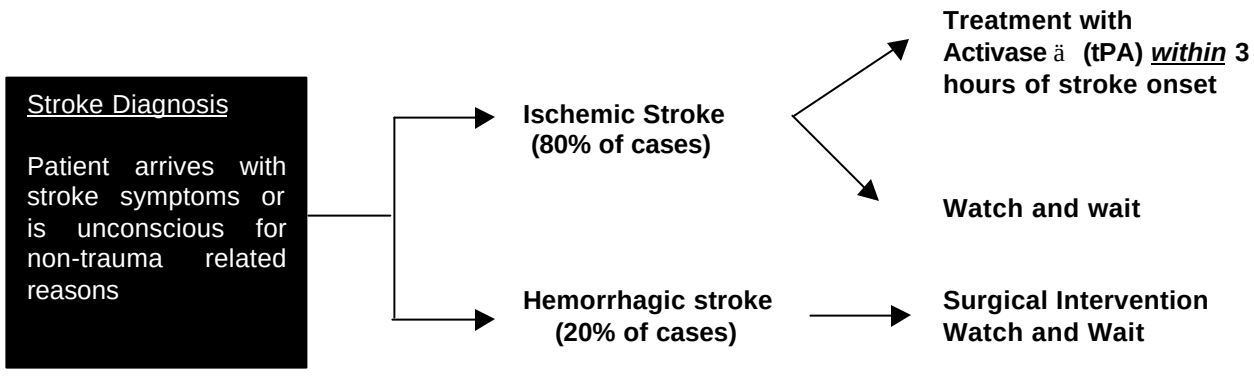
- **Hemorrhagic stroke** occurs when an artery in the brain bursts and releases blood into the surrounding tissues. The common cause is a weakness in the blood vessel wall or an aneurysm.

These clinical variations and the current diagnosis and treatments of stroke are illustrated in Figure 2 below.

The most important factor in the treatment of stroke is to first identify which type of stroke (ischemic or hemorrhagic) a patient is experiencing. Current diagnostic methods are extremely difficult and are limited to scans and x-rays that are costly for the hospital, but more importantly, are time consuming.

Once diagnosis is made, the patient is hospitalized for testing and the extent of brain damage is determined. The patient endures months of physical and occupational therapy and in severe cases, speech therapy. Recovery from a stroke depends on the extent of brain damage. The rule of thumb is that if motor and speech skills do not return in one or two weeks, they may never return and paralysis that remains for five to six months will be permanent. In extreme cases, stroke can cause persistent vegetative states, coma and death.

Figure 2 – Current Stroke Diagnosis and Treatment



In 1995, Activase® or tPA (tissue plasminogen activator) was approved by the FDA to treat ischemic stroke. tPA was developed by Genentech and works by breaking up blood clots — it is essentially a blood thinner that prevents or reduces brain damage. Clinical trials concluded that treatment with tPA showed significant improvement in stroke outcomes especially over the first three months.

Despite these encouraging results, there are two critical issues with tPA:

- Before tPA can be administered, it must first be determined if the patient is *ischemic* or *hemorrhagic* — administering a blood thinner to a patient who is hemorrhagic will exacerbate the problem.

- tPA must be administered within three to five hours of stroke onset. As mentioned earlier, current diagnostic methods are limited to time consuming CT scans and with such a small window of opportunity, the time for a patient to recognize initial symptoms, come into the hospital and get diagnosed is critical.

Transient Ischemic Attacks (ATIAs@) are often recurrent and at times precede a stroke. Most TIAs are due to cerebral emboli arising from atherosclerotic plaques involving the carotid or vertebral arteries in the neck and less often from mural thrombi in a diseased heart. Attacks are most common in the middle-aged and elderly.

TIAs may be due to a brief reduction in blood flow through stenosed arteries. Hypertension, atherosclerosis, heart disease, diabetes mellitus, and polycythemia predispose to TIAs. TIAs appear suddenly, last from two to 30 minutes or more (seldom greater than one or two hours), and then abate without neurologic manifestations; consciousness remains intact throughout the episode. Patients may have several attacks daily or only two or three over several years. TIAs precede a stroke 30% of the time.

Stroke usually can be diagnosed clinically with ischemic stroke accounting for 80% of all strokes. Determining the immediate cause of a stroke may be difficult, especially upon initial presentation, where the diagnosis relies mainly on imaging techniques. About 20% of patients with ischemic stroke die in hospital, with the mortality rate increasing with age. Among the survivors of ischemic stroke, 50% will have long term disability. According to the American Heart Association, strokes are a leading cause of permanent disability with an estimated associated cost of more than US$15 billion annually worldwide.

New treatments are now available for ischemic stroke victims. However, to be effective, current treatments to minimize brain damage from acute stroke need to begin within three hours after the onset of symptoms. During the early days of either evolving or complete stroke, neither the progression nor ultimate outcome can be predicted.

Diabetes

Diabetes is a complex syndrome affected not only by familial transmission but by environmental factors as well. There is a high prevalence of the disease throughout the world. Expression is strongly age-dependent and the etiology is heterogeneous. All cases of diabetes ultimately lead to hyperglycemia.

There are two main clinical sub-classes of diabetes, Type I (insulin-dependent or IDDM), the most common form, and Type II (non-insulin dependent diabetes or NIDDM). The prevalence of Type I is probably more accurate than the estimates for Type II diabetes. This is due, at least in part, to the relative ease of ascertaining IDDM, while many patients with Type II diabetes are asymptomatic and thus this form of the disease goes undiagnosed. Type II diabetes is characterized by a later age of onset, impaired insulin secretion and insulin resistance. Insulin resistance occurs in 25% of apparently healthy individuals, and predisposes them to diabetes. Longitudinal studies of individuals with strong family history of Type II diabetes indicate that the insulin resistance precedes the secretory abnormalities. Approximately 36% of the diabetics go on to end stage kidney failure. In fact, the number of Canadians on renal dialysis has more than doubled over the last decade and the majority of this increase is attributable to an aging population with diabetes.

Currently, an estimated 100 million people worldwide have diabetes and the World Health Organization experts believe that this number could double by 2010 due to worldwide developments and diets.

Alzheimer's Disease

Alzheimer's disease is a form of dementia – an illness that impairs the brain's intellectual functions (memory, orientation, calculation, etc.), but largely spares those parts of the brain that control sensation and movement. In Alzheimer's disease, the mind gradually deteriorates, causing memory loss, confusion, disorientation, impaired judgment and other problems that may affect a person's ability to perform normal daily activities. Alzheimer's disease usually begins later in life.

In Alzheimer's disease, the paths of communication between the brain cells become distorted by deposits of a protein called amyloid. In addition, levels of acetylcholine (a chemical that helps transmit messages between brain cells) begin to drop, causing more cell-to-cell communication problems.

Age and family history are two of the most important risk factors for Alzheimer's disease. The illness currently affects an estimated 4,000,000 older Americans and as the baby boom population ages, may eventually affect 14 million by the year 2040. At age 65, approximately 1% of persons are stricken, but this increases to more than 30% after age 85. In addition to age, there also appear to be inherited (genetic) factors that increase the risk of Alzheimer's disease.

Alzheimer's disease is an irreversible illness and, once the diagnosis is made, mental function usually declines over a course of three to 20 years (average 10 years), until death. Currently, doctors have no way to prevent Alzheimer's disease. However, there are two medications, tacrine (Cognex) and donepezil (Aricept), that are currently used to improve performance of daily activities and relieve behavior problems. These drugs (called cholinesterase inhibitors) work by increasing the brain's levels of acetylcholine, which helps to restore communication between brain cells. Besides these inhibitors, other strategies currently used to help patients with Alzheimer's disease include brief psychotherapy techniques (reality orientation and memory retraining) and medications to relieve depression and calm agitated behavior.

To date, there are no diagnostic tests for the early diagnosis of Alzheimer's disease. SynX is currently developing a test to identify patients at an earlier stage of this disease. Earlier diagnosis will enable physicians to provide treatment to slow the progression of Alzheimer's disease.

Proteomics

Genomics is the science that profiles the complete set of human genes. Proteomics profiles the proteins produced by human genes. The value of Proteomics is that disease states begin with abnormalities at the level of proteins. The goal of Proteomics is to facilitate diagnosis and treatment by understanding the specific activity and functions of proteins as they relate to specific human disease states. Now that the sequencing of the entire human genome is complete, scientific research is focussing on Proteomics and the cataloguing of proteins.

The outputs of Proteomics include but are not limited to:

- the identification of diagnostic markers for disease states that may facilitate pre-chemical and pre-clinical diagnosis; and

- the rapid development of safer and more effective drugs through the identification of therapeutic targets, modes of action and toxicity.

Proteomics is the science upon which SynX's Proteomics Discovery Platform™ is founded. This platform is the engine that drives SynX's research and development programs.

Muscle Atrophy

The most common neuromuscular diseases affect all components of the neuromuscular organ system and may be acquired or hereditary. The most common neuromuscular diseases are muscular dystrophies, amyotrophic lateral sclerosis (ALS), spinal muscular atrophy, Charcot-Marie-Tooth, myasthenia gravis, myotonias, polio and inflammatory myopathies. Disuse skeletal muscle atrophy is a serious clinical problem of the elderly, patients suffering from disabling bone or joint diseases, patients with systemic collagen diseases and patients with muscle degeneration due to neurological deficit. In all these clinical conditions, recovering the wasting muscle mass would maintain the motor functions as well as circulatory performance.

Muscle growth, both skeletal and striated, as in the heart, is regulated by both positive and negative controls. This means that there are entities, such as Human Growth Hormone (hGH), that stimulate muscle growth and entities, such as myostatin, that limit such growth. Previous research has demonstrated that by switching off the myostatin gene in mice and other mammals, the result is the development of animals with muscular hyperplasia, sometimes referred to as double muscling. In addition, animals that have experienced a myocardial infarction exhibit a very high concentration of myostatin in dead and damaged heart cells, while the unaffected, healthy cells show low concentration of protein. The University of Liege discoveries, funded by SynX, offer SynX opportunities to develop new classes of medicines.

Muscle wasting (atrophy) is a condition in which muscle mass and function progressively deteriorates. Musculoskeletal disorders are major causes of chronic pain and severe physical handicap. Muscle atrophy often occurs in chronic illnesses such as AIDS, cancer and pulmonary diseases. Disuse skeletal muscle atrophy is a serious clinical problem of the elderly, patients suffering from disabling bone or joint diseases, patients with systemic collagen diseases and patients with muscle degeneration due to neurological deficit. In all these clinical conditions, recovering the wasting muscle mass would maintain the locomotive functions as well as circulatory performance. SynX is attempting to discover therapeutic solutions for muscle atrophy.

Government Regulation

The manufacture and marketing of *in vitro* diagnostic products are governed by a variety of statutes and regulations in the United States and Canada and by comparable laws and regulations in other countries. Typically, such

standards require that products be approved by the government agency as safe and effective for their intended use prior to, or at the time of, being marketed for human applications.

In the United States, FDA approval must be obtained to market medical device products. FDA approval may be obtained through a pre-market notification filing PMA or under Section 510(k) of the United States *Food, Drug and Cosmetics Act*. Applications under the 510(k) procedure must prove that the device for which approval is sought is substantially equivalent to devices on the market prior to the Medical Device Amendments of 1976 or devices approved thereafter pursuant to the 510(k) procedure.

In Canada, the manufacture and marketing of *in vitro* diagnostic products are regulated by the *Food and Drugs Act* (Canada) (the "FD Act") and the Medical Devices Regulations ("MDR") thereunder, which are enforced by the HPB. All medical devices sold in Canada are subject to certain labelling, notification/pre-approval and recordkeeping requirements. The HPB does not generally require pre-market approval of *in-vitro* diagnostic devices where the devices are not "new" devices as defined under the MDR. Generally, in the case of *in vitro* diagnostic devices that are not "new" devices, whether imported into Canada or manufactured in Canada, notification must be given and materials must be filed with the HPB within 10 days of the first sale of the device. In the case of *in vitro* diagnostic products to be imported into Canada for sale in Canada, an HPB inspector may examine or take samples of any devices sought to be imported (whether for sale or other purposes) for analysis. The importation of a device into Canada may be stopped if it violates the FD Act and/or the MDR. The HPB may request additional information even where notification has been given. The HPB may request further evidence to establish the safety of a device or evidence to show that certain standards continue to be met. The HPB has powers which include the power to require removal of products from the market.

SynX is also required to comply with certain procedures for the disposal of its waste products under the *Canadian Code of Practice for the Management of Biological Waste* (the "Code"). SynX believes it is in compliance with all required Code provisions.

BUSINESS OF SYNX

General

SynX is a research and development company engaged in the development of rapid format, *in vitro*, POC diagnostic and risk assessment tests. Capitalizing on its proprietary antibody-based expertise, SynX's vision is to be a world leader in the discovery and development of innovative diagnostics and therapeutic targets for use in preventative medicine and disease management.

SynX has completed the development of the Strokepanel™, a stroke diagnostic test, and is currently developing risk-assessment and diagnostic tests for Type II Diabetes, heart failure and Alzheimer's Disease. SynX's products are illustrated in Figure 3 on page 14.

In addition to SynX's core business, the Corporation has interests in other revenue generating initiatives. SynX also has a Biotech Incubator Program that establishes synergistic, collaborative relationships with early stage biotechnology companies. See *"Biotech Incubator Program"*.

Scientific Strategy

SynX's scientific strategy is to utilize its core technology, the Proteomics Discovery Platform™, to deliver highly specialized antibody-based diagnostics for worldwide distribution and to identify protein targets for the development of new drugs by the pharmaceutical industry.

SynX focuses its research and development activities on chronic disease states, including hypertension, type **I** diabetes and congestive heart failure. These conditions are endemic and create a tremendous financial burden for health care systems worldwide.

SynX will continue to explore the use of leading edge Proteomics technologies in order to maintain its competitive advantage. The Corporation will also continue to develop and strengthen its alliance with academic and research organizations.

SynX's Proteomics Discovery Platform ä

Five organs concern SynX's scientific teams: the adrenal glands (related to blood pressure), pancreas (diabetes, pancreatic deficiency), kidneys (kidney failure), heart (heart attack, heart failure), and brain (stroke). The restriction of blood flow causes an organ to sustain ischemic damage. Cells die and release cellular components into the bloodstream. SynX has developed a proprietary method to identify ischemic risk markers that cells release into the bloodstream of both asymptomatic Syndrome X patients and Syndrome X patients suffering an acute event. This method is called the Proteomics Discovery Program™ ("PDP").

SynX's PDP enables the Corporation to accelerate the identification, characterization, comparison, cataloguing and validation of biochemical markers. The PDP employs numerous cutting-edge, high-throughput technologies, such as protein chip arrays. The PDP is expected to enable SynX's scientists to complete the entire process, from identification of novel markers to the development of a new diagnostic test, and validation of such tests, in less than two years.

The Corporation focuses on cardiovascular and related diseases including hypertension, diabetes, kidney failure, heart failure and stroke. SynX's approach starts with identifying proteins released into human blood in particular disease states. SynX has an extensive Human Blood Sample Library. It consists of thousands of normal and diseased state samples that are well-characterized and well-defined, including patient histories. The use of human blood samples enables SynX's scientists to accelerate the discovery of specific biochemical markers using its PDP.

SynX's strength is in combining multiple biochemical markers identified through its PDP to create sensitive and specific risk-assessment and diagnostic tests. Once available for commercial use, these tests will allow physicians to make early diagnoses and provide treatment accordingly.

Products

Strokepanel™ is a rapid format, point-of-care, diagnostic test for stroke. Currently, while there is one therapy, tissue plasminogen activator (tPA), available for stroke, only 4% of victims eligible for tPA are receiving it. This is due to current limitations in diagnostic technologies. Strokepanel™ overcomes these limitations. It is designed for use in ambulances and emergency rooms. Strokepanel™ will also be sold as a reagent kit for use in hospital laboratories on automated systems. Strokepanel™ consists of four biochemical markers: S-100, Neuron Specific Enolase (NSE), Myelin Basic Protein (MBP), and Thrombomodulin (TM). SynX has exclusively licensed this technology to Genzyme Corporation for co-development, manufacture, and worldwide distribution. Genzyme's customer base includes key diagnostic companies that sell to a significant portion of the global, in-vitro diagnostic market.

SynX is marketing directly the Strokepanel™ in four separate ELISA tests or research purposes to pharmaceutical companies and private laboratories. The Strokepanel™ is a simple point-of-care test that is now at end-stage development and the application for FDA approval is expected to be submitted within the next year. Since there is no similar product on the market, the Corporation believes that the Strokepanel™ will go through a "fast-track" PMA approval occurring with 150 days after submission.

Products Under Development

Risk Assessment Tests. SynX is developing risk-assessment tests for patients with cardiovascular disease who routinely visit their physicians. These tests will enable physicians to identify asymptomatic patients before they suffer irreversible organ damage and to monitor their progress. SynX's diagnostic tests are designed for use in an emergency medical setting, and are intended to enable medical staff to rapidly and accurately diagnose acute Syndrome X conditions.

SynX's diagnostic tests assess the type, location, progress and severity of an acute event, such as a stroke. These tests are engineered to deliver accurate results at the patient's bedside. SynX further develops an algorithm for each test that interprets the results and facilitates more accurate and timely treatment decisions.

SynX is developing risk-assessment tests to measure blood levels of biochemical markers in patients who are at risk of developing chronic diseases, such as hypertension and diabetes. These tests will enable physicians to diagnose, intervene and monitor disease states before irreversible organ damage occurs.

All of SynX's tests are designed to complement current diagnostic techniques and technologies and overcome some of their limitations. They are intended to be affordable, fast, portable, sensitive and specific. They are designed to use whole blood, thereby further facilitating immediate diagnosis.

Tests for Syndrome X. SynX is in the latter stages of identifying biochemical markers for insulin resistance, which will indicate whether a patient has Syndrome X, and if that test proves positive, subsequent tests for heart failure and pancreatic insufficiency will be performed to indicate the extent of damage already caused by the condition. The focus will be to detect the condition as early as possible before a patient becomes diabetic since the damage cannot be reversed once a patient is diabetic.

There is an estimated 60 to 75 million people in the world who are believed to be insulin resistant and only 5 – 10% will develop Type II diabetes. This means that over 90% of this population do not know that they are insulin resistant and, therefore, are at a higher risk of a heart attack. The keys to reducing the risk of heart attack is first to identify whether a patient is insulin resistant and second is to institute the lifestyle changes that are also considered general risks of heart attack. However, if you are insulin resistant, these risks are heightened. General risks include diet, obesity, lack of physical activity and cigarette smoking.

The most important factor that sets Syndrome X apart from the normal risks of heart attack is diet. Most doctors and major heart associations preach that a "heart smart" diet includes cutting down on fat and increasing carbohydrate intake. However, for insulin resistant patients, the ideal diet is one that increases protein intake and reduces carbohydrates, which is essentially the same diet that diabetic patients follow.

With the use of PDP, SynX has identified numerous promising target molecules related to hypertension, diabetes, pancreatic insufficiency, kidney failure and Alzheimer's disease.

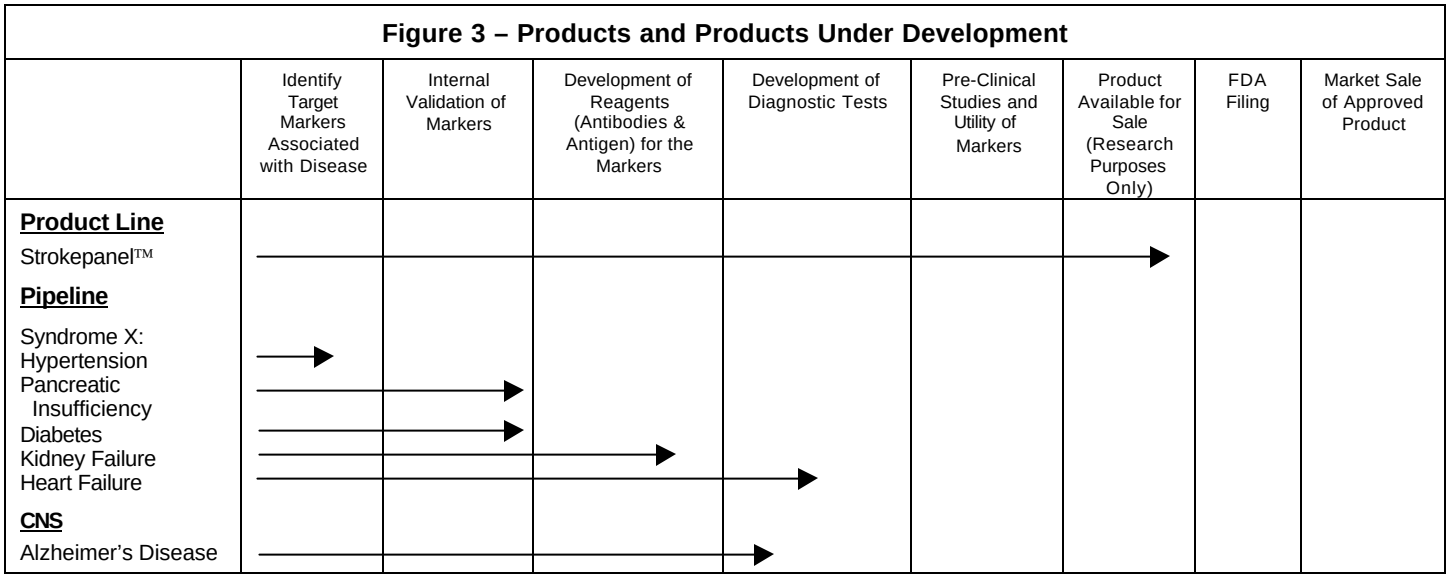
With early identification of conditions on the Syndrome X continuum, there can be prompt medical intervention as therapies exist for the earlier conditions (i.e. hypertension, diabetes). Early identification of Syndrome X conditions is a completely untapped market. SynX is developing POC risk-assessment tests for hypertension, diabetes, kidney failure, and heart failure. Using SynX's POC tests, physicians may prevent or slow the progress of presently incurable diseases such as kidney failure.

Test for Heart Failure. The next SynX product nearing its commercialization is expected to be the rapid format, POC congestive heart failure (CHF) diagnostic test. SynX is working in collaboration with the University of Ottawa Heart Institute and Dr. Adolfo deBold, discoverer of CHF biochemical markers to develop a CHF diagnostic test. The collaboration should speed the development and regulatory approval of SynX's CHF risk-assessment test by allowing the Corporation access to an enormous bank of cardiovascular disease patient blood samples and to Dr. deBold's invaluable expertise.

Test for Central Nervous System – Alzheimer. SynX is developing a rapid-format POC test to assist in the early identification of Alzheimer's patients before they have overt Alzheimer disease. Approximately one third of patients suffering a stroke will go on to develop post-stroke dementia. SynX scientists have characterized several brain specific markers that they believe will be useful in the identification of these patients.

Summary of Products and Products Under Development. Figure 3 below illustrates the stage of development of each of SynX's products and products under development:

Figure 3 – Products and Products Under Development



Other Research and Development Activities

The research and development work on products and services is conducted by the Corporation's scientists at its Mississauga facilities. In addition, research and development programs are conducted by scientists and medical collaborators, at laboratories of universities and hospitals under research/licensing arrangements with SynX. These collaborators provide patients' samples, patients' data and basic research and novel discoveries.

In addition to its research on antibody-based products, the Corporation is also engaged in research relating to the modulation and regulation of the myostatin gene, which is a gene responsible for muscle growth (commonly known as double muscling), and establishing drug activation of that gene expression.

SynX has an agreement with the University of Liege to fund basic research on myostatin and the exclusive rights to commercialize potential applications of that research. Muscle regrowth research is being conducted by SynX in collaboration with Dr. Michel Georges at the University of Liege in Belgium. Under this program, Dr. Georges has isolated a series of mutations responsible for double muscling. This discovery may provide an understanding of the gene or its receptor in the regrowth of skeletal muscle in humans which are experiencing muscle degenerative or muscle wasting diseases.

A U.S. Patent, *"A Method for Determining the Presence of Muscular Hyperplasia in a Mammal"*, filed by SynX on behalf of the University of Liege with respect to the double muscling gene mutation was issued in August, 2000. The patent is the first in a series of patent applications filed by, and now pending, to the University of Liege to secure intellectual property rights to discoveries regarding both the gene and protein myostatin. Myostatin has been identified as an inhibitor that limits striated (skeletal and heart) muscle growth.

The patent allows SynX to develop genetic diagnostic tests to verify and measure the presence of gene mutations that cause muscular hyperplasia (increased muscle growth) in mammals, including humans. Subsequent patent applications, for which the University of Liege has already filed, will allow SynX to develop transgenic animals that possess specific myostatin mutations, then to create therapeutic medicines that encourage both cardiac and skeletal muscle growth.

SynX is pursuing human applications – both therapeutics and diagnostics – for the myostatin discoveries. To date, most research on myostatin has focused on animal health applications that could lead to cattle or poultry with more meat. SynX intends to carry this research to conclusions that benefit human health, both in reversing the loss of muscle mass associated with aging, and in remodelling and rebuilding heart muscle damaged by myocardial infarction. There is a need for new medicines to help people recover cardiac function after a heart attack, and to prevent the development of deadly conditions, such as congestive heart failure.

Intellectual Property

SynX's intellectual property policy is to file patent and trademark applications in order to protect inventions, technologies, improvements and trade marks that are important to the development of the Corporation's business.

SynX has filed patent applications for the Strokepanel™ tests multiple marker tests and the algorithm entitled *"Method of Diagnosing and Distinguishing Stroke and Diagnostic Devices for Use Therein"* with the Canadian Patent Office, the US Patent Office and other members of the Patent Treaty Organization (PTO). This patent covers the use of multiple markers for the diagnosing and triaging of stroke patients and establishes the date of invention. SynX has received an office action letter from the US Patent Office in respect of this application.

A patent relating to double muscling in mammals has been issued by the US Patent Office in respect of a patent filed by SynX for the University of Liege. See *"Other Research and Development Activities"*.

SynX has also filed trademark applications in Canada and the United States for protection of the trademark "Strokepanel™".

Business Strategy

SynX is a research and development company. Manufacturing, sales and distribution of the products will be undertaken by strategic partnerships in the pharmaceutical and biotechnology industries.

SynX specializes in the discovery and clinical development of its antibody-based products. At the regulatory approval and commercialization stages, the Corporation's strategy is to form strategic alliances with major players in the

pharmaceutical, diagnostic, and biotechnology industries to manufacture, distribute, and market its products. This policy is intended to maximize shareholder value by enabling SynX to focus on its scientific expertise while increasing the efficiency and effectiveness of bringing its products to the global marketplace.

SynX seeks partners for the following types of alliances:

- ***Research & Development Collaborations.*** SynX discovers new biochemical markers and develops ELISA Assay Test Kits, the test format for a future point-of-care product. SynX is willing to customize, within the Syndrome X continuum, its research and development to meet a partner's needs.

  A partner receives the ELISA Assay Test Kits for use in its therapeutics preclinical development or clinical trials. Using SynX's tests, the partner improves patient selection, patient monitoring, data analysis, protocol definition, and identification of additional therapeutic uses at the various clinical trial stages. Additional therapeutic uses may also be identified for drugs already in the market.

- ***Licensing Rights.*** When a SynX test nears the completion of its development, a partner receives rights for the co-development, manufacturing, and commercialization of the rapid format, point-of-care test and its reagents. The reagents are for use on automated systems in hospital labs.

- ***Co-Marketing & Co-Promotion.*** A partner that possesses a therapeutic complementary to a SynX test promotes and/or markets the test together with its drug, thereby increasing the administration of its therapeutic.

- ***Academic Research Alliances.*** SynX establishes research alliances with academic and research organizations that have research programs complementary to SynX's business, product line, or pipeline.

- ***Acquisitions & Joint Ventures.*** SynX acquires or partners with synergistic, antibody-based companies, and acquires new technologies or platforms that are complementary to its business, product line, or pipeline.

Strategic Alliance

In October 1999, the Corporation entered into a strategic alliance with Genzyme Corporation ("Genzyme"), a US based multinational pharmaceutical and diagnostic company, under which the Corporation granted to Genzyme an exclusive world-wide license (the "Genzyme License Agreement") in respect of the Corporation's stroke technology, including improvements thereto, for the purpose of commercializing products for diagnosing, distinguishing, managing and monitoring stroke, and certain exclusive rights to acquire or license new technologies developed, acquired or licensed by the Corporation. Genzyme's customer base includes key diagnostic companies that sell to a significant portion of the global, in-vitro diagnostic market. Genzyme is to pay a royalty to the Corporation based on net sales of stroke diagnostic products by Genzyme and its affiliates. The Corporation has also granted to Genzyme a right of first offer to obtain either (i) an exclusive world-wide royalty bearing license with respect to any new or third party technology that is owned or controlled by the Corporation after the date of the agreement or (ii) all of the Corporation's rights, title and interest in such technology. See *"Business of SynX – Products"*.

Also in October 1999, the Corporation entered into an agreement (the "Genzyme Purchase Agreement") with Genzyme pursuant to which the Corporation agreed to issue to Genzyme, in two tranches, 9.8% Convertible Notes in the aggregate principal amount of $7,500,000 accompanied by a total of 1,027,398 share purchase warrants (the "Series B Warrants"), of which notes in the principal amount of $3,750,000 accompanied by 513,699 Series B Warrants were issued to Genzyme on October 25, 1999 for a purchase price of $3,750,000.

The Purchase Agreement provides that the Corporation will issue to Genzyme additional 9.8% Convertible Notes in the principal amount of $3,750,000 accompanied by an additional 513,699 Series B Warrants for a purchase price of $3,750,000 at such time as the Corporation first files a Pre-Market Application Filing for a panel of diagnostic stroke products substantially similar to the panel described in the Corporation's Canadian patent or such earlier date as Genzyme shall advise the Corporation. The application is expected to be filed within the next year.

The 9.8% Convertible Notes are unsecured, bear interest at the rate of 9.8% per annum, which interest shall accrue and be payable on the conversion date, prepayment date or maturity date of the notes, as the case may be; mature on the fifth anniversary of the respective dates of issue; and are convertible, as to principal and accrued and unpaid interest, at the option of the holder, into Common Shares of the Corporation at a conversion price of $6.80 per share.

Each Series B Warrant entitles the holders thereof to purchase, on exercise thereof, one Common Share in the capital of the Corporation at a price of $7.30 per share at any time on or before the fifth year following the respective dates of issue thereof. The Series B Warrants are redeemable by the Corporation at a price of $0.001 per warrant at any time after either (i) the FDA has issued Pre-Market Application approval of a panel diagnostic stroke products substantially similar to that described in the Corporation's Canadian patent, or (ii) the US Patent and Trademark Office has issued a patent substantially similar to such Canadian patent.

In the event that the Corporation redeems the Series B Warrants in accordance with their terms, the license granted to Genzyme under the Genzyme License Agreement will be converted to a non-exclusive license.

Facilities

The Corporation's executive offices and in-house laboratory are located in approximately 12,750 square feet at 6354 Viscount Road, Mississauga, Ontario. These facilities are also utilized by Toxin Alert Inc. and Arius Research Inc. See *"Biotech Incubator Programs"*. These facilities are under a lease expiring in 2002 at a current annual rental of approximately $51,000.

The Corporation's in-house laboratory, which has recently been expanded to approximately 9,600 square feet, is a state-of-the-art facility and is fully equipped to carry out hybridoma, immunochemistry and molecular biology. These research facilities are being used for (i) isolation of molecules which contain the genetic material obtained from the Cardiovascular Disease Tissue Bank (animal and human); (ii) development of reagents and molecular tools to characterize the specific gene products; (iii) assessment of the expression and function of specific gene products; and (iv) development of specific assays for the proof of clinical utility.

Employees

SynX has 33 full time employees, of which 23 are scientists and 10 are engaged in administrative matters. Twelve of the 23 scientists hold Ph.D degrees. The research on SynX's programs will be conducted primarily by the Corporation's scientists under the supervision of Dr. George Jackowski, Vice-Chairman, President and Chief Scientific Officer of the Corporation.

Competition

Competition in the biotechnology industry is intense. SynX will have to compete with other companies to develop products aimed at treating similar conditions. Many of these companies have substantially greater resources than SynX. There can be no assurance that developments by others will not render the Corporation=s products or technologies non-competitive or adversely affect the commitment of SynX=s future commercial collaborators to the Corporation=s programs.

BIOTECH INCUBATOR PROGRAM

General

SynX has created a Biotech Incubator Program to establish synergistic, collaborative, mentor arrangements between itself and early stage biotechnology companies. To date, SynX has entered into arrangements with Toxin Alert Inc. ("Toxin Alert") and Arius Research Inc. ("Arius"). Both companies use antibody-based technologies. SynX provides R&D staff, facilities, and administrative services to them in exchange for significant equity positions. Shared scientific information accelerates product development time.

SynX also provides facilities and administrative services to these companies in return for shared operating expenses. As all three companies create antibody-derived products, SynX contracts research and development staff to Arius and Toxin Alert, thereby mutually enhancing the flow of scientific information and the speed of product development.

Toxin Alert Inc.

General. Toxin Alert is a company engaged in the development and applications for the use of antibodies in the production of diagnostic packaging materials for the food, medical and other industries. Toxin Alert is in the process of bringing to commercial development a patented technology called "Toxin Guard™".

The Toxin Guard™ system transforms ordinary flexible packaging film, such as commercial polyethylene or plastic wrap, into a composite material containing multiple sites per unit of surface area which can detect and identify multiple toxic microbial materials in a package. Toxin Guard™ can also be used for medical tests.

Agreement with SynX. Pursuant to an agreement between the Corporation and Toxin Alert (the "Toxin Services Agreement") dated October 12, 1998, as amended, Toxin Alert has access to SynX research facilities and SynX assists Toxin Alert in the research and development of its products. SynX is required to keep all information relating to Toxin Alert and its products confidential. Also, Toxin Alert and SynX have agreed to not compete in any manner in the other's respective fields of business for a period of 10 years following the termination of the Agreement. SynX has received $250,000 and 600,000 common shares of Toxin Alert at an agreed price of $0.50 per share for services rendered under this agreement. Toxin Alert pays SynX a fee of $6,600 per month in return for access to SynX's research facilities. Toxin Alert may use SynX's scientists and lab personnel at an agreed hourly rate.

Shareholding. The Corporation holds 600,000 common shares, representing approximately 8.7% of the issued common shares of Toxin Alert. These shares are held pursuant to an escrow agreement (the "Escrow Agreement") entered into in connection with an initial public offering of Toxin Alert's common shares which was completed in December, 1999. The Escrow Agreement provides that, unless released prior thereto with the consent of the Ontario Securities Commission, escrowed shares will be released as follows: 10% on September 16, 2000, 20% on each of September 16, 2001, 2002 and 2003, and the balance on September 16, 2004.

The common shares of Toxin Alert are listed on the Canadian Dealing Network Inc. and effective October 2, 2000, will trade on the Canadian Venture Exchange. At •, 2000, the last trading price of the common shares of Toxin Alert was $• per share.

Arius Research Inc.

General. Arius Research Inc. ("Arius") is a research and development company that is attempting to develop a class of drugs through the use of monoclonal antibodies that will enable oncologists to treat specific tumours for individual cancer patients. Arius' current research and development activities are directed towards the production of antibodies related to breast cancer and melanoma. Arius intends to expand its research and development activities into other areas, including lung cancer, colon/gastro-intestinal cancer, ovarian cancer and prostate cancer.

Arius was formed by Dr. David Young, its President, Chief Scientific Officer and principal shareholder. Dr. Young has spent many years studying the phenomenon of xenograft rejection in cardiac transplantation and has come to understand that transplant rejection and cancer immunology are closely related. In transplantation the body's innate defences are suppressed so that the graft will take, but in cancer, the patient's immune system does not function as it should to reject the cancer cells. After leaving the field of xenotransplantation in 1997, Dr. Young began to formulate the technology around which Arius is based.

In 1999, with the assistance of SynX, Dr. Young was able to develop a cancer antibody technology. Arius has developed antibodies that have killed cancer cells in *in vitro* experiments while having minor effects on non-cancerous cells. Arius has filed an application, "Individualized Anti-Cancer Antibodies", in the United States for patent protection of its cancer-killing antibody. The application is being reviewed under the accelerated examination procedures and action on the merits of the application is expected in the near future. Arius intends to file this application in the PCT countries and to file further patent applications to protect other aspects of individualized cancer treatment.

Agreement with SynX. Pursuant to an agreement (the "Arius Services Agreement") dated October 7, 1999 with SynX, Arius issued a total of 400,000 common shares and 400,000 Class A share purchase warrants of Arius to SynX in consideration for past services rendered by SynX to Arius relating to research and development of the cancer antibodies developed by Arius. Each Class A share purchase warrant entitles the holder to purchase one common share of Arius at a price of $4.00 per share at any time on or before October 31, 2002. Arius pays SynX a fee of $8,000 per month in return for access to SynX's research facilities. Arius may use SynX's scientists and lab personnel at an agreed hourly rate. SynX produces antibodies and cells for Arius at a price equal to SynX's cost of producing such antibodies. SynX is required to keep all information relating to Arius and its products confidential. Arius and SynX have agreed to not compete in any manner in the other's respective fields of business during the term of this agreement and for a period to be agreed upon.

Shareholding. The 400,000 common shares of Arius held by SynX represent approximately 9.88% of its issued shares. These shares are held pursuant to an escrow agreement (the "Escrow Agreement") entered into in connection with an initial public offering of Arius' common shares which was completed in March, 2000. The Escrow Agreement provides that, unless released prior thereto with the consent of the Ontario Securities Commission, escrowed shares will

be released as follows: 10% on December 8, 2000, 20% on each of December 8, 2001, 2002 and 2003, and the balance on December 8, 2004.

The common shares and Class A share purchase warrants of Arius are listed on the Canadian Dealing Network Inc. and effective October 2, 2000, will trade on the Canadian Venture Exchange. At •, 2000, the last trading price of the common shares and Class A share purchase warrants of Arius was $• per share and $• per warrant, respectively.

CAPITALIZATION

The following table sets forth the capitalization of the Corporation as at June 30, 2000 and September 30, 2000, and as at September 30, 2000, after giving effect to the issue of the Common Shares upon exercise of the Special Warrants.

	Authorized	Outstanding as at June 30, 2000	Outstanding as at September 30, 2000	Pro Forma Outstanding as at September 30, 2000[3]
7.5% Convertible Subordinated Debentures [1]	$1,355,800	$1,229,978	$1,235,074	$1,235,074
9.8% Convertible Notes [2]	$7,500,000	$3,963,470	$4,053,408	$4,053,408
Common Shares	unlimited	3,529,463 shs ($4,399,483)[5]	3,529,463 shs ($4,399,483)[5]	4,979,463 shs ($9,564,483)[5]
Special Warrants [4]	1,450,000 spl wrt ($5,165,000)	nil	1,450,000 spl wrt ($5,165,000)	nil

(1) The 7.5% Convertible Subordinated Debentures mature on June 30, 2004, are convertible into Common Shares at a price of $2.75 per share, if converted prior to June 30, 2001 and at $3.25 per share if converted thereafter, and are redeemable subject to the weighted average market price being not less than $6.00 per share for 20 consecutive trading days ending not more than five trading days prior to notice of redemption is given.

(2) The 9.8% Convertible Notes are convertible, together with accrued interest, at the option of the holder into Common Shares of the Corporation at a price of $6.80 per share and mature on October 26, 2004.

(3) After giving effect to this offering, a total of 8,007,223 Common Shares will be reserved for issuance as follows:

- (a) 925,835 Common Shares are reserved for issue under options granted under the Stock Option Plan of the Corporation at prices ranging from $1.30 per share to $6.50 per share;
- (b) 3,713,330 Common Shares are reserved for issue at a price of $4.50 per share on the exercise of the Series A Warrants expiring on January 15, 2001;
- (c) up to 489,187 Common Shares are reserved for issue on conversion of the 7.5% Convertible Debentures which are convertible at a price of $2.75 per share if converted prior to June 30, 2001 and at a price of $3.25 per share if converted thereafter and prior to maturity on June 30, 2004;
- (d) 1,450,000 Common Shares are reserved for issue upon exercise of the Series C Warrants to be issued upon exercise of the Special Warrants;
- (e) 290,000 Common Shares are reserved for issue upon exercise of the Compensation Option and exercise of the Series C Warrants to be issued upon exercise thereof;
- (f) 73,701 Common Shares are reserved for issue upon conversion of the 7.5% Convertible Debentures and the exercise of the Series A Warrants issuable upon exercise of a Compensation Option granted to Thomson Kernaghan & Co. Ltd. in connection with the issue of the 7.5% Convertible Debentures;
- (g) 551,471 Common Shares are reserved for issue at a price of $6.80 per share upon conversion of the 9.8% Convertible Note issued to Genzyme Corporation; and
- (h) 513,699 Common Shares are reserved for issue at a price of $7.30 per share on exercise of the Series B Warrants expiring on October 22, 2004 issued to Genzyme Corporation. These share purchase warrants are callable by the Corporation at $0.01 per warrant at any time after it has reached certain research milestones.

(4) After deducting expenses of this issue estimated at $200,000 and the Agents commission of $435,000.

(5) Includes $155,717 attributable to conversion options on convertible debt and $15,896 attributable to warrants.

(6) As at June 30, 2000, the Corporation had a deficit of $7,578,646.

DESCRIPTION OF SHARE CAPITAL

Authorized and Issued Capital

The authorized share capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preference shares. The issued and outstanding capital of the Corporation consists of 3,529,463 Common Shares.

Common Shares

The holders of Common Shares are entitled to such dividends as and when declared by the board of directors of the Corporation, to one vote per share at meetings of shareholders and, upon liquidation, to receive such assets of the Corporation as are distributable to holders of common shares, subject to the rights of holders, if any, of the Preference Shares.

Preference Shares

The Preference Shares are issuable in one or more series with such rights, restrictions, conditions and limitations as the directors may specify by resolution at the time of designation of the series. The holders of Preference Shares are entitled, upon liquidation, to receive such assets of the Corporation as are distributable to the holders of the Preference Shares in preference to the holders of Common Shares.

Series A and Series B Warrants

A total of 3,713,330 share purchase warrants (the "Series A Warrants") of the Corporation are issued and outstanding. Each Series A Warrant entitles the holder thereof to purchase one Common Share at a price of $4.50, subject to adjustment in certain events, at any time on or before January 15, 2001. The Series A Warrants may be redeemed by the Corporation for $0.01 per Warrant upon 30 days' written notice following any date upon which the weighted average market price of the Common Shares over the period of 20 consecutive business days immediately prior to such date has equalled or exceeded $6.00 (subject to adjustment in certain events).

A total of 513,669 Series B Warrants of the Corporation are issued and outstanding. An additional 513,669 Series B Warrants are reserved for issue to Genzyme pursuant to the Genzyme Purchase Agreement. See *"Business of SynX - Strategic Alliance"*. Each Series B Warrant entitles the holder thereof to purchase one Common Share at a price of $7.30 per share, subject to adjustment in certain events, at any time on or before October 22, 2004. The Series B Warrants are held by Genzyme Corporation. These Series B Warrants are callable by the Corporation at $0.01 per warrant at any time after it has reached certain research milestones.

PRICE RANGE AND TRADING VOLUME OF COMMON SHARES

The Common Shares are listed on the Canadian Venture Exchange ("CDNX"). Trading on the CDNX commenced on June 7, 2000. The following is a summary of trading in the Common Shares on the CDNX and prior to June 7, 2000, the Canadian Dealing Network Inc. ("CDN") for the periods indicated:

	High	Low	Volume
1998			
June 11 to June 30	$3.00	$1.80	52,300
3rd Quarter	$2.65	$1.90	118,067
4th Quarter	$2.00	$1.25	292,534
1999			
1st Quarter	$2.70	$1.10	484,140
2nd Quarter	$6.00	$2.00	255,911
3rd Quarter	$8.40	$5.60	262,231
4th Quarter	$6.40	$4.75	110,442
2000			
January	$7.00	$5.00	261,434
February	$8.00	$5.40	74,200

	High	Low	Volume
March	$7.60	$6.40	51,188
April	$6.50	$5.00	30,824
May	$5.40	$4.50	17,940
June	$5.25	$3.25	23,440
July	$4.00	$3.50	8,500
August	$4.00	$3.50	155,345

The closing price of the Common Shares on the CDNX on •, 2000 was $•.

PRIOR SALES

During the past 12 months, the Corporation has issued a total of 131,393 Common Shares at prices ranging from $1.25 per share to $3.50 per share upon the exercise of options granted under the Stock Option Plan of the Corporation.

MANAGEMENT OF THE CORPORATION

Directors and Officers

The names, municipalities of residence and principal occupations of the directors and officers of the Corporation are as follows:

Name & Municipality of Residence	Position with Corporation	Principal Occupation
G. Montegu Black[(1)] Toronto, Ontario	Chairman of the Board and Director	Chairman and President of Txibanguan Limited, an investment holding company
Dr. George Jackowski Kettleby, Ontario	Vice-Chairman, President, Chief Scientific Officer and Director	Officer of the Corporation
William T. Bodenhammer[(1)] North York, Ontario	Director	Private investor, President and Chief Executive Officer of Toxin Alert Inc.
David Owen Hawkey [(1)] Mississauga, Ontario	Director	Retired. Prior to 1998, he was Vice President and CFO, RBC Dominion Securities
Donald E. Pogorzelski Andover, MA	Director	President of Genzyme Diagnostics, a biotechnology company and a division of Genzyme Corporation, a biopharmaceutical company
Christian Frayssignes Oakville, Ontario	Director	Consultant
M. Grant Brown[(1)] Oakville, Ontario	Director	Managing Partner, Covington Capital Corporation
Eugene Bortoluzzi Kleinburg, Ontario	Executive Vice President & Chief Financial Officer	Officer of the Corporation
Miyoko Takahashi North York, Ontario	Vice President Research & Development	Officer of the Corporation
Alan Bell Toronto, Ontario	Secretary	Partner, Blake, Cassels & Graydon LLP (law firm)

(1) Member of the Audit Committee.

During the last five years, all of the above directors and officers of the Corporation have held the occupation or have been associated with the companies or firms listed opposite their names except as disclosed below under *"Management"* and except for Mr. Bodenhamer who, prior to 1998, was an executive officer and director of Canadian

Polaris Investments Inc., a private investment company. Mr. Bodenhamer was a co-founder and director of Spectral Diagnostics Inc. He has also served as Chairman of Canadian Polaris Investments Inc., Chairman and CEO of Coronet Carpets Inc., President and CEO of Harding Carpets Ltd., and has acted as a work-out consultant for certain Canadian chartered banks; Mr. Hawkey who, prior to 1998, was a director, Vice-President and Chief Financial Officer of RBC Dominion Securities Inc.; and Mr. Christian Frayssignes who, prior to May, 2000, was Vice-President, Business Development of Glyco Design Inc., a bio pharmaceutical company and from May, 2000 to September 2000, was President of Arius Research Inc. From May 1995 to May 1997, he was President of C. Frayssignes & Associates.

Management

Dr. George Jackowski, Vice-Chairman, President and Chief Scientific Officer, was a co-founder of Spectral Diagnostics Inc. and the inventor of the Spectral Cardiac Panel, a rapid format cardiac diagnostic test. He was President and Chief Technical Officer of Spectral from December, 1990 to January, 1997. Dr. Jackowski has a doctorate degree in Clinical Biochemistry and is trained as a Cardiovascular Biochemist. Dr. Jackowski holds an academic position at the University of Toronto, Department of Clinical Biochemistry and the Toronto Hospital, division of Cardiology. Dr. Jackowski is a recipient of the 1996 MEDEC award for his invention of a medical diagnostic device, which aids in the early diagnosis and rule out of acute myocardial infarction in patients with chest pain. Dr. Jackowski is a director of Toxin Alert.

Eugene Bortoluzzi, Executive Vice President and Chief Financial Officer of the Corporation. He was Secretary, Treasurer and Controller of Spectral Diagnostics Inc. from September, 1992 to February, 1997. Mr. Bortoluzzi's career includes six years' experience with the accounting firms of Ernst & Young and KPMG. Since leaving public accounting, he has held positions ranging from Controller to Vice-President, Finance and Administration. Mr. Bortoluzzi has extensive experience in U.S. and Canadian public company regulatory affairs, financial control and auditing. Mr. Bortoluzzi is Chief Financial Officer of Toxin Alert and Arius Research.

Miyoko Takahashi, Vice-President, Research & Development, was previously head of the Hybridoma laboratory at Spectral Diagnostics Inc. from November, 1991 to January, 1997. Ms. Takahashi is a leader in Hybridoma technology in North America with the development of numerous cell lines to her credit and an author of several scientific publications, chapters and patents. Ms. Takahashi obtained her undergraduate training at Ohio University and graduate training at the University of Bristol, U.K.

Scientific Advisory Board

The Corporation has established a Scientific Advisory Board which consists of individuals with expertise in cardiovascular and scientific disciplines. The following are members of the Scientific Advisory Board:

• George Jackowski, *Ph.D*	Vice-Chairman, President, Chief Scientific Officer and Director
• Eric Fonberg, *M.D., M.Ph, MBA, CCFP (EM)*	Chief of Emergency Services at Toronto East General Hospital
• J. Christopher Hall, *Ph.D*	Professor, University of Guelph
• Mario Moscarello, *M.D., Ph.D*	Professor, Hospital for Sick Children, University of Toronto
• Archie W. Prestakyo, *Ph.D*	Chairman, President & CEO, BioStratum Incorporated (USA)
• Eric B. Stanton, *M.D., FRCP*	Associate Professor Medicine, Cardiology, McMaster University, Hamilton
• Ernest Kun, *M.D., FRS*	Professor, University of California, San Francisco
• Antoine M. Hakim, *M.D., FRCP*	Professor and Chairman, Division of Neurology, University of Ottawa

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table shows the aggregate remuneration paid by the Corporation in each of the last three financial years to the persons serving as Chief Executive Officer of the Corporation and the executive officers of the Corporation who earn in excess of $100,000 per year (the "Named Executive Officers").

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation Awards			All Other Compensation ($)
					Awards		Payouts	
		Salary ($)	Bonus ($)	Other Annual Compensation ($)	Securities Under Options/SARs Granted #	Restricted Shares or Restricted Share Units ($)	LTIP Payouts ($)	
Dr. George Jackowski[(1)] Vice-Chairman, President & Chief Scientific Officer	1999 1998 1997	$285,962 $240,000 $100,000	$180,000 nil nil	nil nil nil	45,000 shs 30,000 shs nil	nil nil nil	nil nil nil	nil nil nil
Eugene Bortoluzzi Executive Vice President & Chief Financial Officer	1999 1998 1997	$150,000 $150,000 $100,000	$50,000 nil nil	nil nil nil	20,000 shs 30,000 shs nil	nil nil nil	nil nil nil	nil nil nil
Miyoko Takahashi Vice President Research & Development	1999 1998 1997	$125,000 $120,000 $100,000	$20,000 nil nil	nil nil nil	30,000 shs 30,000 shs nil	nil nil nil	nil nil nil	nil nil nil
Fareed Kureshy [(1)] President & Chief Executive Officer	1999 1998	$10,000 $140,000	nil $140,000	nil nil	nil 390,000 shs	nil nil	nil nil	nil nil

(1) From June 1, 1998 to January 15, 1999, Mr. Kureshy was President and Chief Executive Officer. On January 16, 1999, Dr. Jackowski became President of the Corporation.

Directors

No cash remuneration was paid to directors of the Corporation in their capacities as directors during the last completed financial year, but the Corporation does reimburse directors for expenses incurred by them in their capacity as directors for attending meetings. During the last completed financial year, the Corporation granted options to purchase an aggregate of 75,000 Common Shares to directors who were not officers of the Corporation under its Stock Option Plan.

During the current financial year, the Corporation has established a policy respecting the payment of directors fees to directors under which directors will receive cash remuneration of $12,000 per year together with a fee of $1,000 for each meeting attended. The chairman of each committee of the board will receive an additional fee of $3,000 per annum.

The Corporation maintains directors' and officers' liability insurance with a limit of $5,000,000 each policy year for all its directors and officers. The annual cost of this insurance coverage is $19,950. There is no deductible with respect to claims against insured persons. The Corporation is also insured with a deductible of $25,000 for losses subject to corporate reimbursement.

Options/SARs Granted During Most Recent Financial Year

The following table sets out certain information relating to options and SARs granted during the most recent financial year to the Named Executive Officers.

Name	Securities Under Options/SARs Granted (#)	% of Total Options/SARs Granted to Employees in Financial Year	Exercise or Base Price Per Security ($/Security)	Market Value of Securities Underlying Options/SARs on the Date of the Grant ($/Security)	Expiration Date
Dr. George Jackowski	20,000 shs 25,000 shs	3% 4%	$1.30 $2.50	$1.30 $2.50	February 21, 2006 May 21, 2006
Eugene Bortoluzzi	15,000 shs 5,000 shs	2% 1%	$1.30 $2.50	$1.30 $2.50	February 21, 2006 May 21, 2006
Miyoko Takahashi	20,000 shs 10,000 shs	3% 2%	$1.30 $2.50	$1.30 $2.50	February 21, 2006 May 21, 2006

Aggregate Options Exercised During the Most Recently Completed Financial Year and Financial Year-End Option Values

The following table sets out certain information relating to options exercised by the Named Executive Officers during the most recent financial year and the value of unexercised in-the-money options held by the Named Executive Officers at the end of the most recent financial year:

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized ($)	Unexercised Options/SARs at FY-End (#) Exercisable/Unexercisable	Value of Unexercised in-the-Money Options/SARs at FY-End ($) Exercisable/Unexercisable
Dr. George Jackowski	nil	nil	35,000 /40,000	75,500/106,000
Eugene Bortoluzzi	nil	nil	26,667 /23,333	52,667/60,333
Miyoko Takahashi	nil	nil	30,000 /30,000	63,000/81,000

Stock Option Plan

The Corporation has established a Stock Option Plan (the "Plan") for the purpose of providing incentives to directors, officers, employees and consultants of the Corporation. The maximum number of Common Shares reserved for issue under the Plan is limited to 1,150,000 Common Shares. The board of directors may designate the recipient of options and determine the number of Common Shares covered by each option, its exercise price (which may not be less than closing market price of the Common Shares on the trading day prior to the grant), its expiry date and any other questions relating thereto. All options will be non-transferrable except in the event of an optionee's death.

The issue of options under the Plan, together with any other stock options issued by the Corporation, may not result, at any time, in:

(a) the number of shares reserved for issuance under stock options granted to related persons exceeding 10% of the issued and outstanding Common Shares;

(b) the issuance to related persons, within a 12-month period, of a number of shares exceeding 10% of the issued and outstanding Common Shares;

(c) the number of shares reserved for issuance under stock options granted to any one related person and the related person's associates exceeding 5% of the issued and outstanding Common Shares; or

(d) the issuance to any one related person and the related persons associates, within a 12 month period, of a number of shares exceeding 5% of the issued and outstanding Common Shares.

A related person is defined to mean (i) a director or senior officer of the Corporation, or (ii) an associate of a director or senior officer of the Corporation. The board of directors of the Corporation may from time to time amend or revise the terms of the Plan.

The following table sets out certain information with respect to options to purchase Common Shares which were issued under the Stock Option Plan.

Optionees	Number of Optionees	Number of Securities Under Option	Purchase Price of Securities Under Option	Expiry Date of Option	Market Value of Securities Under Option on Date of Grant	Current Market Value of Securities Under Option[(1)]
Executive Officers	4 4 4	105,000 80,000 80,000	$3.50 $2.50 $1.30	May 6, 2005 May 27, 2006 February 22, 2006	$3.50 $2.50 $1.30	
Directors who are not Executive Officers	1 2 1 2	15,000 50,000 25,000 50,000	$3.50 $2.50 $1.30 $5.25	May 6, 2005 May 27, 2006 February 22, 2006 April 21, 2007	$3.50 $2.50 $1.30 $5.25	
Employees	1 10 5 13 12 9	10,000 70,000 20,000 64,500 83,000 30,500	$4.75 $3.50 $5.75 $2.50 $1.30 $5.25	November 24, 2006 May 6, 2005 July 2, 2006 May 27, 2006 February 22, 2006 April 21, 2007	$4.75 $3.50 $5,75 $2.50 $1.30 $5.25	
Consultants	3 3 6 1 5 3	45,000 75,000 100,000 25,000 31,000 25,000	$3.50 $5.75 $1.30 $6.50 $5.25 $2.50	May 6, 2005 July 2, 2006 February 22, 2006 March 10, 2007 April 21, 2007 May 27, 2006	$3.50 $5.75 $1.30 $6.50 $5.25 $2.50	

(1) Based on the closing market price on •, 2000.

Employment Contract

Dr. George Jackowski is employed as Vice-Chairman and Chief Scientific Officer of the Corporation pursuant to an employment agreement which terminates on December 31, 2000. Subject to an agreement with Dr. Jackowski, the Corporation intends to extend this agreement.

DIVIDEND POLICY

To date, the Corporation has not paid a dividend. The declaration, amount and date of distribution of any dividends in the future will be decided by the Board of Directors from time to time based upon and subject to the Corporation's earnings, financial requirements and other conditions prevailing at the time.

PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and senior officers of the Corporation, no person or corporation beneficially owns or exercises control or direction over more than 10% of the Common Shares of the Corporation except as shown below:

Name	Number of Common Shares Owned	% of Common Shares	
		Before Exercise of Special Warrants	After Exercise of Special Warrants
Dr. George Jackowski	982,857	27.8%	19.7%

The directors and executive officers of the Corporation, as a group, will beneficially own, directly or indirectly, 1,735,154 Common Shares representing approximately 49.2% of the total outstanding Common Shares before the exercise of the Special Warrant and 34.8% after the exercise of the Special Warrants.

PROMOTER

Under applicable securities legislation, Dr. George Jackowski may be considered to be a promoter of the Corporation in that he took the initiative in founding and organizing the Corporation.

PLAN OF DISTRIBUTION

Pursuant to an agency agreement dated August 14, 2000 (the "Agency Agreement") made between the Corporation and the Agents, the Corporation issued and sold a total of 1,450,000 Special Warrants at a price of $4.00 per Special Warrant (the "Offering"). The net proceeds of the Offering, after deducting a commission of $435,000 paid to the Agents and the expenses of the Offering estimated at $200,000, was approximately $5,165,000. As additional consideration for the Agents' obligations under the Agency Agreement, the Corporation granted to the Agents compensation warrants (the "Broker's Warrants") which entitle the holders thereof to acquire, without additional consideration, compensation options (the "Compensation Options") which entitle the holders to purchase up to 145,000 Units at a price of $4.00 per Unit, being that number of Units equal to 10% of the total number of Special Warrants sold. The Compensation Options are exercisable at any time prior to August 14, 2002. No additional fee has been or will be paid to the Agents in connection with the issue of Common Shares upon the exercise or deemed exercise of the Special Warrants.

Subject to adjustment, each Special Warrant entitles the holder thereof to acquire, at no additional cost, a Unit consisting of one Common Share and one Series C Warrant of the Corporation at any time, on or before the date (the "Expiry Date") which is the earlier of the fifth business day after the date of issuance of a receipt (the "Prospectus Receipt") by the Ontario Securities Commission for a final prospectus (the "Final Prospectus") of the Corporation relating to the distribution of the Common Shares and Series C Warrants to be issued upon the exercise of the Special Warrants, and (ii) February 14, 2002.

Any Special Warrants not exercised on the Expiry Date will be deemed to be exercised, immediately prior to such time, without any further action on the holder's part. If a receipt for the final Prospectus has not been issued on or before December 12, 2000, Special Warrants exercised thereafter will entitle the holders to receive, without further payment 1.1 Units (in lieu of one Unit).

At the closing of the Offering, one-half of the gross proceeds of the sale of the Special Warrants (the "Escrow Funds") was deposited in escrow with Equity Transfer Services Inc. (the "Escrow Agent") under an escrow agreement (the "Escrow Agreement") pending satisfaction of two of six milestones set out therein (the "Escrow Condition"). On September 25, 2000, the Corporation, having satisfied the Escrow Condition, the Escrow Funds were released to the Corporation.

See *"Description of Series C Warrants"* for a description of the Series C Warrants to be issued on exercise of the Special Warrants.

DESCRIPTION OF SERIES C WARRANTS

The following is a summary of the material provisions of the Series C Warrants and is subject to the detailed provisions of the Series C Warrants and Warrant Indenture referred to below.

The Series C Warrants will be issued in registered form pursuant to an indenture (the "Warrant Indenture") dated as of August 14, 2000 entered into between the Corporation and Equity Transfer Services Inc., as warrant agent (the "Warrant Agent"). The Series C Warrants may be surrendered for exercise, exchange or replacement at the principal office of the Warrant Agent in Toronto, Ontario.

Subject to adjustment in certain events, each Series C Warrant will entitle the Holder thereof to purchase one Common Share, at any time on or before August 14, 2002 at a price of $4.00 if exercised on or before August 14, 2001 and at a price of $4.25 if exercised thereafter.

The Series C Warrants will provide for the adjustment of the exercise price and, in certain events, the number of Common Shares issuable on exercise of the Series C Warrants, on the occurrence of certain events, including: (i) the subdivision, redivision, or consolidation of outstanding Common Shares; (ii) the distribution by the Corporation of Common Shares (or securities convertible into Common Shares) to all or substantially all the holders of Common Shares by way of a stock dividend or other distribution; (iii) the issue of rights, options or warrants to all or substantially all of the holders of Common Shares entitling them within a period of 45 days to acquire Common Shares (or securities convertible into Common Shares) at less than 90% of the fair market price as determined by the board of the directors of the Corporation; (iv) the distribution to all or substantially all the holders of Common Shares of securities other than Common Shares or rights, options or warrants (other than those described in (iii)), or of property or other assets (including evidences of indebtedness); (v) a reclassification of the Common Shares; (vi) an amalgamation, merger or arrangement of the Corporation with another entity; and (vii) a transfer of all or substantially all of the Corporation's assets. The Corporation will not be required to make any adjustment to the exercise price unless the cumulative effect of the adjustment and other adjustments not previously made would change the exercise price then in effect by at least 1%.

The Corporation will give at least 21 days' notice to the holders of Series C Warrants of the Corporation's intention to fix the record date for the issuance of rights, options or warrants to all or substantially all of the holders of its outstanding Common Shares.

The Series C Warrants will provide that modifications and alternations to the Series C Warrants may be made if authorized by extraordinary resolution. The term "extraordinary resolution" will be defined in the Warrant Indenture to mean, in effect, a resolution passed by the affirmative vote of the holders of not less than 51% of the outstanding Series C Warrants represented and voting at a meeting of holders or an instrument or instruments in writing signed by the holders of not less than 75% of the outstanding applicable Series C Warrants.

No fractional Common Shares will be issued on the exercise of any Series C Warrant. In lieu of fractional shares, the holder will receive a cash payment.

Holders of the Series C Warrants have no voting rights, preemptive rights or any other rights as a shareholder of the Corporation.

Subject to compliance with the provisions of the Warrant Indenture and the requirements of applicable securities legislation, the Series C Warrants are transferable.

USE OF PROCEEDS

The net proceeds of the Offering, after deducting the commission paid to the Agents and the expenses of the Offering, is approximately $5,165,000 and has been used as to fund the operations of SynX.

The operational and capital expenditure budget for SynX for 2000 is summarized below:

DESCRIPTION	USE OF FUNDS
Research and Development Activities	$2,900,000
Clinical Trials	$550,000
Sales and Marketing	$350,000
Working Capital	$1,365,000
Total	**$5,165,000**

There may be circumstances, however, where, for sound business reasons, a reallocation of funds may be necessary.

SELECTED FINANCIAL INFORMATION

The following selected financial information has been derived from the financial statements of the Corporation contained in this Prospectus and should be read in conjunction with such statements and notes thereto:

	Six Months Ended June 30, (Unaudited)		Years Ended December 31, (Audited)		Period from March 11 to December 31 (Audited)
	2000 ($)	1999 ($)	1999 ($)	1998 ($)	1997 ($)
Revenue	343,194	198,666	1,174,201	28,607	—
Research & Development	1,426,157	937,042	2,358,251	2,439,170	1,015,671
Tax Credits	(108,143)	(234,016)	(731,877)	(889,886)	(250,000)
General and Administrative	970,202	452,432	1,128,286	1,013,067	414,219
Depreciation & Amortization	95,249	58,396	152,976	118,633	52,909
Loss for the Period	2,008,868	1,015,053	1,715,478	2,621,501	1,232,799
Loss per Share	0.57	0.30	0.50	0.91	0.62
Total Assets	3,069,491	1,812,326	5,162,864	1,690,005	1,493,058
Current Liabilities	1,051,778	1,434,940	1,379,595	1,675,865	1,923,579
Convertible Debt and Capital Lease Obligations	5,196,876	1,381,913	5,008,290	26,200	30,283
Share Capital[(1)]	4,399,483	3,864,826	4,344,757	3,842,240	770,495
Deficit	(7,578,646)	(4,869,353)	(5,569,778)	(3,854,300)	(1,232,799)
Shareholders' Deficiency	(3,179,163)	(1,004,527)	(1,225,021)	(12,060)	(462,304)
Total Liabilities and Shareholders' Deficiency	3,069,491	1,812,326	5,162,864	1,690,005	1,493,058

(1) Includes the carrying value of the conversion options on convertible debt and warrants.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with the financial statements of SynX and notes thereto appearing elsewhere in this prospectus which have been prepared in accordance with generally accepted accounting principles in Canada. The Corporation's fiscal year end is December 31 of each year.

Overview

SynX is a research and development company engaged in the development of rapid format, *in vitro*, POC diagnostic and risk assessment tests for use in preventive medicine and patient management. SynX has developed a test to diagnose stroke, the STROKEPANEL™, which was licensed in 1999 by Genzyme Corporation for worldwide manufacture and distribution. SynX is currently developing several innovative diagnostics for Syndrome X related diseases that include hypertension, diabetes and heart failure.

The Corporation's strength is in discovery, research and product development. The business strategy calls for the formation of strategic alliances in the pharmaceutical and biotechnology industry to assist in the commercialization of SynX's products. This policy is designed to create a self-sustaining commercial operation while maximizing shareholder value.

Research and development activities continue to be the most significant expenditure items. To date, all research and development costs have been expensed as incurred. The Corporation is in a development phase and, as such, has incurred losses since its inception.

Until 1999, the Corporation concentrated its efforts in two areas of research: the development and commercialization of stroke diagnostic tests and the gene discovery program. With the introduction of Genzyme, in the fall of 1999, as a strategic partner for the commercialization of SynX's stroke tests, the Corporation began to expand its research and development activities into Syndrome X projects.

In the last quarter of fiscal 1998, the first two of a series of stroke tests were released for sale into the research market. Product sales of the stroke tests, to date, have been limited to pharmaceutical companies, reference and research labs. Revenues resulting from the sale of SynX's STROKEPANEL™ product line have increased but cannot yet be considered significant.

Additional revenues have resulted from having provided contract research services to two companies, Toxin Alert and Arius Research. In exchange for lab facilities and overhead, research and administrative services, SynX has established an equity interest in both companies.

Results of Operations

Six Months ended June 30, 2000 compared with Six Months Ended June 30, 1999. For the six months ended June 30, 2000, the Corporation recorded a loss of $2,008,868, or $0.57 per share, compared to $1,015,053, or $0.30 per share, for the six months ended June 30, 1999. Revenues for the six months ended June 30, 2000 total $343,194, an increase of 73% over the $198,666 for the same period a year earlier. As a result of increased research and development activities, research and development expenses for the six months ended June 30, 2000, which include costs associated with clinical research, product development and regulatory affairs, increased by $489,115 to $1,426,157, before consideration of tax credits, as compared with $937,042 for the comparable prior period. Refundable investment tax credits of $108,143 were recorded as a reduction of research and development expenses during the six months ended June 30, 2000, compared to $234,016 for the six months ended June 30, 1999. This reduction reflects the loss of refundable federal tax credits resulting from the Company's recent listing of its shares on the Canadian Venture Exchange.

General and administrative expenses increased by $517,770 to $970,202 for the six months ended June 30, 2000 from $452,432 for the six months ended June 30, 1999, reflecting an increase in sales and marketing efforts, investor relations, business development and financing activities.

Amortization of capital assets for the six months ended June 30, 2000 and 1999, was $106,011 and $58,395, respectively. The increase of $47,615 in amortization reflects additional capital expenditures for expansion of the research laboratory facilities and acquisition of capital equipment used in research and development activities.

Year Ended December 31, 1999 compared with Year Ended December 31, 1998. For the fiscal year ended December 31, 1999 the Corporation recorded a loss of $1,715,478, or $0.50 per common share, compared to $2,621,501, or $0.91 per common share, in the fiscal year ended December 31, 1998.

Revenues of approximately $84,000 for fiscal 1999 resulted from the sale of the STROKEPANEL™ diagnostic tests which were introduced to the research market in the last two months of 1998. Revenues of $890,000 for fiscal 1999 resulted from activities related to providing contract research services to Toxin Alert and Arius. Revenues of $200,000 have been recorded in connection with the termination of a research agreement and the recovery of research funding that had been provided to a development stage company in 1997.

Research and development expenses for 1999, which include costs associated with clinical research, product development and regulatory affairs, decreased by $80,919 to $2,358,251 million, before consideration of tax credits, compared with $2,439,170 million, before consideration of tax credits, in fiscal 1998.

General and administrative expenses increased by $115,219 to $1,128,286, compared with $1,013,067 in fiscal 1998, this reflects an increase in sales and marketing efforts and investor relations activities.

Amortization of capital assets increased by approximately $45,076 to $163,739 from $118,663 in fiscal 1998. This increase reflects additional expenditures in capital equipment used in research and development activities.

Year Ended December 31, 1998 compared with the Period March 11, 1997 to December 31, 1997. For the fiscal year ended December 31, 1998, the Corporation recorded a loss of $2,621,501 million, or $0.91 per Common Share, compared to $1,232,799 million, or $0.62 per Common Share, in the fiscal period from March 11, 1997 to December 31, 1997.

Revenues of approximately $29,000 for fiscal 1998 result from the sale of the **SMART S-100** and **SMART NSE** stroke diagnostic tests to research institutions and companies in the last two months of the year.

Research and development expenses for 1998, including costs associated with clinical research, product development and regulatory affairs increased by $1,423,499 to $2,439,170 compared with $1,015,671 in fiscal 1997. The increase is attributable to one full year of operations and the continued scale up of research and development activities.

General and administrative expenses increased by $598,848 to $1,013,067 compared with $414,219 in fiscal 1997 reflecting an increased staff complement, sales and marketing efforts, investor relations and financing activities.

Amortization of capital assets increased by approximately $65,724 to $118,633 from $52,909 in fiscal 1997 reflecting increased expenditures in capital equipment used in research and development activities.

Liquidity and Capital Resources

The Corporation relies principally upon the proceeds of public and private offerings of equity, debt securities and limited commercial activities to fund its operations. In June 1999, the Corporation completed a rights offering of convertible debentures which raised $1,355,800. In October 1999, the first milestone payment under the Genzyme Agreement resulted in the issuance of Convertible Debentures in the amount of $3.75 million.

At June 30, 2000 the Corporation had $90,454 cash on hand and a working capital of $102,590. The net proceeds from the issue of the Special Warrants, which occurred in August, 2000, totalled $5,165,000 and will be used to fund the operations of the Corporation. See *"Use of Proceeds and Operational Capital Expenditure Budget"*.

During the period from January 1 to June 30, 2000, the Corporation's capital asset expenditures were approximately $418,000 of which $316,000 related to the expansion of research laboratory and facilities.

The Corporation anticipates that the net proceeds from the issue of the Special Warrants, together with the Corporation's available cash resources will be sufficient to finance its research and development and other working capital requirements for approximately 12 months. In the near term, the Corporation anticipates receiving additional funds from the possible exercise of the Series A Warrants, which expire in January 2001, and from the issue of additional 9.8% convertible notes and Series B Warrants pursuant to the Genzyme Purchase Agreement described under *"Business of SynX – Strategic Alliance"*. The Corporation expects that its primary sources of capital will be through strategic alliance contracts and the public or private sale of its equity securities. In addition, long term sources of capital are expected to result from collaborative arrangements, royalties from the licensing of diagnostic and therapeutic products, and the sale of products and services. There can be no assurance that such collaborative arrangements, or any public or private financing transactions, will be available on acceptable terms, if at all, or can be sustained in the future. If adequate funds are not available, the Corporation may be required to delay, reduce the scope, or eliminate one or more of its research and development programs, which could have a material and adverse effect on the Corporation.

The Corporation will require additional funding in order to complete its research and development activities and commercialize its products. The Corporation's future capital requirements will depend on many factors, including scientific progress in its research and development programs, the size and complexity of such programs, the timing, scope and results of pre-clinical studies and clinical trials conducted by the Corporation or its collaborators, the time and cost involved in obtaining regulatory approvals, the cost involved in filing, prosecuting and enforcing patent claims, competing technological and market developments, the cost of manufacturing or obtaining pre-clinical and clinical material and other factors not within the Corporation control. There can be no assurance that any such financing to meet the Corporation's capital requirements will be available on acceptable terms or at all. Insufficient funds may require the Corporation to delay, scale back or eliminate some or all of its research and development programs, or to lose rights under existing licenses or to relinquish greater or all rights to product candidates at an earlier stage of development at less favorable terms than the Corporation would otherwise consider. See *"Risk Factors – Need for Additional Capital"*.

The Corporation faces a number of risks in its business that are identified under *"Risk Factors"*. The occurrence of one or more of the events described therein may have a materially adverse effect upon the Corporation's results of operations, financial condition and future prospects.

ESCROWED SHARES

Pursuant to an escrow agreement (the AEscrow Agreement") dated May 6, 1998 among Dr. George Jackowski, Eugene Bortoluzzi and Miyoko Takahashi and Equity Transfer Services Inc. (the AEscrow Agent"), a total of 891,181 Common Shares (the "Escrowed Shares") are deposited with the Escrow Agent. The Escrowed Shares represent approximately 17.9% of the issued and outstanding Common Shares after giving effect to the exercise of all of the Special Warrants. The Escrow Agreement provides that, unless released prior thereto with the consent of the Ontario Securities Commission (the ACommission"), the Escrowed Shares will be released as to 50% of the Escrowed Shares, on each of March 7, 2001 and March 7, 2002.

INDEBTEDNESS OF THE DIRECTORS AND SENIOR OFFICERS

No officer, director or employee, or former officer, director or employee of the Corporation or any of its subsidiaries, or associates of any such officer, director or employee is currently or has been indebted at any time during the last completed financial year to the Corporation or any of its subsidiaries nor has the indebtedness of any such officer, director or employee at any time during the last completed financial year been the subject of a guarantee, support agreement, letter of credit or other similar arrangement.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director, senior officer or other insider of the Corporation, 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 proposed transaction that has materially affected or will materially affect the Corporation except as described below.

1. On January 27, 1999, the Corporation entered into a research agreement with Toxin Alert. Mr. William T. Bodenhamer, a director of the Corporation, is the President, director and principal shareholder of Toxin Alert. Mr. G. Montegu Black, Chairman of the Corporation, is Chairman of the Board and director of Toxin Alert. The Corporation has agreed to conduct research on behalf of Toxin and has received $250,000 and 600,000 common shares of Toxin as at May 31, 2000. Toxin pays the Corporation a fee of $6,600 per month in return for access to the Corporation's research facilities and SynX's scientists and lab personnel at an agreed hourly rate.

2. On October 7, 1999 the Corporation entered into an agreement with Arius and received 400,000 common shares and 400,000 Class A Warrants of Arius in consideration for past services rendered to Arius relating to research and development on the cancer antibody developed by Arius, as well as reagents in connection with the development of such technology. Arius pays the Corporation a fee of $8,000 per month in return for access to the Corporation's research facilities and SynX's scientists and lab personnel at an agreed hourly rate.

3. On October 22, 1999 the Corporation entered into the Genzyme License Agreement and the Genzyme Purchase Agreement with Genzyme Corporation referred to under *"Business of SynX – Strategic Alliance"*. Donald E. Pogorzeiski, a director of the Corporation, is President of Genzyme Diagnostics, a division of Genzyme Corporation.

RISK FACTORS

An investment in the securities of the Corporation will involve a number of potential risks. The following risk factors should be carefully considered.

Lack of Profitable Operations. Since its inception, the Corporation has not been profitable. As of June 30, 2000, the Corporation had an accumulated deficit of approximately $7.6 million. Accordingly, SynX's business operations are subject to all of the risks inherent in the establishment and maintenance of a developing business enterprise, such as competition and viable operations management. The future earnings and cash flow from operations of SynX are dependent, in part, on its ability to further develop and market its products. There can be no assurances that SynX will

grow and be profitable. The operations of SynX are presently funded by external financing and if sufficient cash flow from operations or earnings are not generated in the future, additional financing will be required. There is no assurance that such financing will be available or, if available, be on acceptable terms.

All of the Corporation's products and services are under development. Since inception, substantially all of Synx"s resources have been allocated toward research and development of its programs and the Corporation has not generated any revenue. Due to the early growth stage of the Corporation and the fact that it has no operating history, results from operations are inherently more difficult to predict.

No Guarantee of Success. The prospects for companies operating in the biotechnology industry may generally be considered to be uncertain, given the very nature of the industry and, accordingly, investments in biotechnology companies should be considered to be speculative. It is impossible to ensure that the research and development conducted by SynX will result in the creation of profitable products. In order for the products developed by SynX to gain a certain degree of commercial success, government approval may be required and clinical tests must demonstrate their safety and effectiveness on humans. No assurance can be given that future studies, if any, will yield favourable results.

Uncertainties Related to Clinical Trials. The Corporation's potential products are subject to the risk of failure inherent with the development of biotechnology products and will require additional development, pre-clinical studies, clinical trials and regulatory approval prior to commercialization. The results from pre-clinical studies and early clinical trials may not be indicative of results obtained in later clinical trials, and there can be no assurances that clinical trials conducted by the Corporation or its collaborators will demonstrate sufficient safety and efficacy to obtain the requisite approvals or that marketable products will result.

Uncertainty of Ability to Protect Proprietary Technology. SynX's success will depend, in part, on its ability to obtain patents, protect its trade secrets and operate without infringing the exclusive rights of third parties. Although SynX will file patent applications in Canada, the United States and in other jurisdictions, there is no guarantee that it will obtain the patent or that it will develop patentable products. Moreover, there is no proof that any patent that is granted to SynX will make the product more competitive, that its patent protection will not be contested by third parties or that the patents of others will not be detrimental to SynX's commercial activities. It cannot be assured that other companies will not independently develop products similar to SynX's products, that they will not imitate any of its products or that, if SynX obtains its patents, its competitors will not manufacture products designed to circumvent the exclusive patent rights granted to SynX. SynX may also be required to obtain licenses under patents or other exclusive rights from third parties. There is no guarantee that any license required under these patents or other exclusive rights will be offered upon conditions acceptable to SynX.

Reliance on Collaborative Partners. The Corporation's strategy for the research, development and commercialization of its product candidates requires the Corporation to enter into various arrangements with corporate and academic collaborators, licensor, licensees and others and the Corporation will therefore be dependent upon the success of these parties in performing their responsibilities. There can be no assurance that the Corporation will be able to enter into collaborative arrangements or license agreements on acceptable terms, or at all, or that any or all of the contemplated benefits from such collaborative arrangements or licensed agreements will be realized. Failure to obtain and maintain such arrangements or agreements would result in delays in the development of the Corporation's products, the inability to proceed with the development, manufacture or sale of products or the loss of third party licensees or could require the Corporation to fund development of a particular product internally. See *"Arrangements with GeneScape"*. If the Corporation were required to fund development internally, its future capital requirements would increase substantially. There can be no assurance that the Corporation can obtain additional funds to meet such increased capital requirements on acceptable terms or at all.

Collaborative arrangements may also require the Corporation to expend funds and to meet certain milestones and there can be no assurance that the Corporation will be successful in so doing. Failure of the Corporation to meet its obligations under collaborative arrangements could result in the termination of these arrangements and the loss of rights to the product under development and could have a material adverse effect on the Corporation's business, financial condition and results of operations.

There can be no assurance that disputes will not arise in the future with respect to the ownership of rights to any technology developed with or by a third party. Possible disagreements between collaborators and the Corporation could lead to delays in the collaborative research, development or commercialization of certain product candidates or could result in litigation or arbitration, which would be time consuming and expensive and would have a material adverse effect on the Corporation's business, financial conditions and results of operations.

Government Regulation. The manufacture and marketing of *in vitro* diagnostic products are governed by a variety of statutes and regulations in the United States and Canada and by comparable laws and regulations in other countries. Typically, such standards require that products be approved by the government agency as safe and effective for their intended use prior to, or at the time of, being marketed for human applications. The organ failure risk tests developed by the Corporation will be subject to these regulations.

The Corporation intends to pursue the necessary government approvals for its diagnostic products. Delays in market introduction resulting from the approval process could have a material adverse impact on the Corporation. Human clinical trials required for product approval in the United States may themselves require pre-approval from the FDA, which pre-approval cannot be guaranteed.

Purchasers of the Corporation's diagnostic products in the United States may be regulated under CLIA and related federal and state regulations, which provide for regulation of laboratory testing. These regulations impose quality control, proficiency testing, personnel standards and federal inspections requirements. As a result, the sale of the Corporation's diagnostic products in the United States will require compliance with CLIA which could affect the Corporation's ability to sell its products.

Any *in vitro* diagnostic products manufactured or distributed by the Corporation pursuant to HPB or FDA clearances or approvals are subject to pervasive and continuing regulation by the HPB or FDA. In Canada and the United States, unanticipated changes in existing regulatory requirements, failure of the Corporation to comply with such requirements or adoption of new requirements could have a material adverse effect on the Corporation. The Corporation may also be subject to numerous federal, provincial and local laws relating to such matters as safe working conditions, manufacturing practices, environmental protection, fire hazard control and hazardous substance disposal. There can be no assurance the Corporation will not be required to incur significant costs to comply with such laws and regulations in the future or that such laws or regulations will not have a material adverse effect upon the Corporation=s business, financial condition and results of operations.

The procedure involved in obtaining regulatory approval from the competent authorities to market therapeutic agents is long and costly and may delay product development. The approval to market a product may be refused or limited. Although SynX will not be involved in the development of therapeutic agents, any difficulties or failures incurred by its strategic collaborators would detrimentally affect future royalty arrangements.

SynX is also required to comply with certain procedures for the disposal of its waste products under the *Canadian Code of Practice for the Management of Biological Waste* (the "Code"). SynX believes it is in compliance with all required Code provisions.

No Manufacturing and Marketing Capability. SynX does not intend to manufacture or market any diagnostic devices it develops. The financial success of such devices will be dependent upon the efforts of third parties. There is no assurance that marketing and manufacturing arrangements will be obtained or, if obtained, will be profitable to SynX.

Competition. The biotechnology industry is very competitive and subject to significant and rapid changes. SynX is in competition with other companies that develop products to treat the same diseases as it does. Many of these companies are well established, have generated substantial sales over a number of years and have considerably more resources than SynX. Many of the Corporation's competitors may have greater product development capabilities and more extensive financial, scientific, marketing and sales resources than the Corporation. It is therefore impossible to guarantee that the products developed by other companies will not cause SynX's products and technologies to be uncompetitive.

Liquidity and Capital Requirements. SynX's capital requirements will depend on the following factors: (i) the continuous scientific developments leading to diagnostic/therapeutic discoveries; (ii) the potential changes in its development programs; (iii) its progress in the pre-clinical and clinical testing of diagnostic tests; (iv) the time and money invested in the submission and follow-up of its patent applications and the outcome of potential patent claims; and (v) the expenses incurred to obtain regulatory approval for diagnostic products. To obtain the necessary capital, SynX must rely on contractors, enter into research and development cooperation agreements and issue additional Common Shares to provide full or partial funding for its various programs. It is impossible to guarantee the availability of additional financial resources, or their obtainment upon acceptable conditions, if they are obtained at all. Should SynX fail to obtain the necessary capital, it will probably have to cease its research and development expenses, as well as its clinical and pre-clinical trials.

Need for Additional Capital. The Corporation will require additional funding in order to complete its research and development activities and commercialize its products. The Corporation has financed its operations primarily through

the sale of debt and equity securities. The Corporation's future capital requirements will depend on many factors, including scientific progress in its research and development programs, the size and complexity of such programs, the timing, scope and results of pre-clinical studies and clinical trials conducted by the Corporation or its collaborators, the time and cost involved in obtaining regulatory approvals, the cost involved in filing, processing, and enforcing patent claims, competing technological and market developments, the cost of manufacturing or obtaining pre-clinical and clinical material and other factors not within the control of the Corporation. There can be no assurance that any such financing to meet the Corporation's capital requirements will be available on acceptable terms or at all. Insufficient funds may require the Corporation to delay, scale back or eliminate some or all of its research and development programs, or to lose rights under existing licenses or to relinquish greater or all rights to product candidates at an earlier stage of development or on less favorable terms than the Corporation would otherwise seek or may adversely affect the Corporation's ability to operate as a going concern. If additional funds are raised by issuing equity securities, substantial dilution to existing shareholders may result.

Uncertainty of Market Acceptance. The Corporation's future profitability is dependent on commercial acceptance of its potential products. The Corporation believes that market acceptance of its products will depend on the Corporation's or its collaborators ability to provide acceptable evidence of safety, efficacy, and cost effectiveness of its products as well as the effectiveness of its marketing strategy, which may include its own marketing efforts as well as those of its collaborators. There can be no assurance that potential products developed by the Corporation or its collaborators will achieve market acceptance among patients, physicians or others. Failure to achieve market acceptance would have a material adverse effect on the Corporation's business, financial condition and results of operation.

Lack of Revenue. As a development stage company, the Corporation has experienced limited commercial activity. As such, it has generated limited revenue from the sale of diagnostic tests to the research community. See *"Management's Discussion and Analysis"*. There can be no assurance that the Corporation will ever achieve significant revenues or profitable operations.

Dependence on Key Personnel. The Corporation's success depends to a significant degree upon the continued contributions of members of its senior management, particularly its Vice-Chairman, President and Chief Scientific Officer and its President and Chief Executive Officer. The loss of either of these individuals could have a material adverse effect on the Corporation's business, financial condition and operating results. The future success of the Corporation also depends on its ability to continue to attract, retain and motivate qualified technical and management personnel, for whom competition is intense. There can be no assurance that the Corporation will be successful in attracting and retaining the personnel it requires to be successful in the future. In addition, Dr. Jackowski is subject to certain restrictions with respect to activities he may conduct under the Termination Agreement referred to under *"Business of SynX – Restrictions on Business Activities"*. These restrictions may affect the operations of the Corporation.

No Market. There can be no assurance that an active public market for the securities offered hereby will develop or be sustained after the Offering. The price for the securities offered hereby has been determined by negotiation between the Corporation and the Agents.

DILUTION

The Common Shares offered hereby will be subject to immediate dilution with respect to the offering price per Special Warrant compared to the net tangible book value of the Corporation per share as at June 30, 2000. The following table sets forth the dilution per Common Share on a fully diluted basis as at June 30, 2000 based on the unaudited balance sheet of the Corporation as at that date and assuming no exercise of the Compensation Warrants granted to the Agents referred to under "Plan of Distribution".

Offering price		$4.00
Net tangible book value before the offering	($0.95)	
Increase in net tangible book value attributable to the offering	$1.31	
Net tangible book value after the offering		0.36
Dilution to purchasers		$3.64
Dilution as a percentage of the offering price		91%

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts which have been entered into by the Corporation in the two years prior to the date hereof are the following:

1. the Agency Agreement referred to under *"Plan of Distribution"*;

2. the Special Warrants referred to under *"Plan of Distribution"*;

3. the Warrant Indenture described under "Description of Series C Warrants";

4. the Genzyme License Agreement described under *"Business of SynX – Strategic Alliance"*; and

5. the Genzyme Purchase Agreement described under *"Business of SynX – Strategic Alliance"*.

Copies of these agreements will be available for inspection at the head office of the Corporation at 6354 Viscount Road, Mississauga, Ontario, L4V 1H3, or at the offices of Equity Transfer Services Inc., Suite 420, 120 Adelaide Street West, Toronto, Ontario, M5H 4C3 during normal business hours during the course of distribution and for a period of 30 days thereafter.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Corporation are KPMG LLP, Chartered Accountants, Toronto, Ontario.

The transfer agent and registrar for the Common Shares of the Corporation is Equity Transfer Services Inc., Toronto, Ontario.

PURCHASER'S STATUTORY RIGHTS

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

CONTRACTUAL RIGHT OF ACTION FOR RESCISSION

In the event that a holder of a Special Warrant, who acquires a Common Share upon the exercise of the Special Warrant as provided for in this prospectus, is or becomes entitled under applicable securities legislation to the remedy of rescission by reason of this prospectus or any amendment thereto containing a misrepresentation, such holder shall be entitled to rescission not only of the holder's exercise of its Special Warrant(s) but also of the private placement transaction pursuant to which the Special Warrant was initially acquired, and shall be entitled in connection with such rescission to a full refund of all consideration paid to the Corporation on the acquisition of the Special Warrant. In the event such holder is a permitted assignee of the interest of the original Special Warrant 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 is in addition to any other right or remedy available to a holder of a Special Warrant under Section 130 of the *Securities Act* (Ontario) or corresponding provisions of other securities legislation or otherwise at law.

AUDITORS' REPORT

To the Board of Directors of SynX Pharma Inc.

We have audited the balance sheets of SynX Pharma Inc. (formerly Skye PharmaTech Inc.) as at December 31, 1999 and 1998 and the statements of operations and deficit and cash flows for the two years ended December 31, 1999 and for the period from March 11, 1997 to December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the two years ended December 31, 1999 and for the period from March 11, 1997 to December 31, 1997 in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Toronto, Canada

February 11, 2000, except for
note 14 which is as at
September __, 2000

SYNX PHARMA INC.

(FORMERLY SKYE PHARMATECH INC.)

Balance Sheets

	June 30, 2000	December 31, 1999	1998
	(Unaudited)		
Assets			
Current assets:			
Cash and cash equivalents	$ 90,454	$ 2,526,337	$ 271,862
Tax credits recoverable (note 3)	915,653	723,653	710,309
Accounts receivable	106,834	86,696	36,857
Prepaid expenses and other assets	41,427	309,227	91,990
	1,154,368	3,645,913	1,111,018
Long-term investments (note 4)	700,000	640,000	–
Capital assets (note 5)	1,102,769	780,085	578,987
Deferred financing charges	112,354	96,866	–
	$ 3,069,491	$ 5,162,864	$ 1,690,005
Liabilities and Shareholders' Deficiency			
Current liabilities:			
Bank indebtedness	$ –	$ –	$ 145,000
Accounts payable and accrued liabilities	1,028,005	1,246,737	1,194,545
Shareholder loan (note 6)	9,626	102,314	306,660
Current portion of capital lease obligations (note 7)	14,147	30,544	29,660
	1,051,778	1,379,595	1,675,865
Capital lease obligations (note 7)	3,428	4,909	26,200
Convertible debt (note 8)	5,193,448	5,003,381	–
Shareholders' deficiency:			
Share capital (note 9)	4,399,483	4,344,757	3,842,240
Deficit	(7,578,646)	(5,569,778)	(3,854,300)
	(3,179,163)	(1,225,021)	(12,060)
Operations and commitments (notes 1 and 13)			
Subsequent events (note 14)			
	$ 3,069,491	$ 5,162,864	$ 1,690,005

See accompanying notes to financial statements.

On behalf of the Board:

(Signed) *"G. Montegu Black"* Director

(Signed) *"William T. Bodenhamer"* Director

SYNX PHARMA INC.

(FORMERLY SKYE PHARMATECH INC.)

Statements of Operations and Deficit

	Six months ended June 30,		Years ended December 31,		Period from March 11, 1997 to December 31,
	2000	1999	1999	1998	1997
	(Unaudited)				
Revenue	$ 343,194	$ 198,666	$ 1,174,201	$ 28,607	$ –
Interest income	31,403	135	17,957	30,876	–
Expenses:					
Research and development	1,426,157	937,042	2,358,251	2,439,170	1,015,671
Tax credits (note 3)	(108,143)	(234,016)	(731,877)	(889,886)	(250,000)
	1,318,014	703,026	1,626,374	1,549,284	765,671
General and administrative	970,202	452,432	1,128,286	1,013,067	414,219
Depreciation and amortization	95,249	58,396	152,976	118,633	52,909
	2,383,465	1,213,854	2,907,636	2,680,984	1,232,799
Loss for the period	2,008,868	1,015,053	1,715,478	2,621,501	1,232,799
Deficit, beginning of period	5,569,778	3,854,300	3,854,300	1,232,799	–
Deficit, end of period	$ 7,578,646	$ 4,869,353	$ 5,569,778	$ 3,854,300	$ 1,232,799
Loss per share	$ 0.57	$ 0.30	$ 0.50	$ 0.91	$ 0.62
Weighted average number of shares outstanding	3,518,927	3,390,512	3,403,612	2,884,739	2,000,000

See accompanying notes to financial statements.

SYNX PHARMA INC.

(FORMERLY SKYE PHARMATECH INC.)

Statements of Cash Flows

	Six months ended June 30,		Years ended December 31,		Period from March 11, 1997 to December 31,
	2000	1999	1999	1998	1997
	(Unaudited)				
Cash flows from (used in) operating activities:					
Loss for the period	$ (2,008,868)	$ (1,015,053)	$ (1,715,478)	$ (2,621,501)	$ (1,232,799)
Items not involving cash:					
Depreciation and amortization	106,011	58,396	163,739	118,633	52,909
Investments received for services rendered	(60,000)	–	(640,000)	–	–
Common shares issued for services received	–	–	35,250	–	–
Interest expense	190,067	10,228	65,874	–	–
Change in non-cash working capital:					
Decrease (increase) in tax credits recoverable	(192,000)	374,523	(13,344)	(360,309)	(350,000)
Increase in accounts assets	(20,138)	(94,816)	(49,839)	(36,857)	–
Decrease (increase) in prepaid expenses and other assets	221,146	23,749	(170,583)	(22,751)	(69,239)
Increase (decrease) in accounts payable and accrued liabilities	(218,732)	(63,219)	52,192	640,593	553,952
	(1,982,514)	(706,192)	(2,272,189)	(2,282,192)	(1,045,177)
Cash flows from (used in) financing activities:					
Issue of common shares, net of issue costs	54,726	22,586	299,809	1,705,189	5,000
Issue of notes payable	–	–	–	–	1,352,660
Issue of special warrants, net	–	–	–	–	763,495
Issue of debentures, net of financing costs	–	1,355,800	4,997,336	–	–
Issue of common share purchase warrants	–	–	–	13,896	2,000
Proceeds from (repayment of) shareholder loan	(92,688)	(27,175)	(204,346)	306,660	–
Bank indebtedness	–	(145,000)	(145,000)	145,000	–
Financing fees	(26,250)	–	–	–	–
Repayment of capital lease obligations	(17,878)	(5,618)	(20,407)	–	–
	(82,090)	1,200,593	4,927,392	2,170,745	2,123,155
Cash flows from (used in) investing activities:					
Acquisition of capital assets, net of tax credits	(417,933)	(25,213)	(354,074)	(214,326)	(480,343)
Cash held in escrow, net	46,654	(101,685)	(46,654)	–	–
	(371,279)	(126,898)	(400,728)	(214,326)	(480,343)
Increase (decrease) in cash and cash equivalents	(2,435,883)	367,503	2,254,475	(325,773)	597,635
Cash and cash equivalents, beginning of period	2,526,337	271,862	271,862	597,635	–
Cash and cash equivalents, end of period	$ 90,454	$ 639,365	$ 2,526,337	$ 271,862	$ 597,635

Supplemental cash flow information (note 10)

See accompanying notes to financial statements.

1. Operations:

SynX Pharma Inc. (the "Company") was incorporated on March 11, 1997 as Skye PharmaTech Inc., commenced its business activities in April 1997 and changed its name to the current name on April 3, 2000. The Company is a fully integrated cardiovascular genomics company that discovers and commercializes solutions in diagnostics and therapeutics for human diseases. The Company currently operates in one business segment, the development and commercialization of stroke diagnostic tests.

The Company has funded its research and development activities through issuance of common shares and convertible debt and limited commercial activities. Accordingly, the Company is considered to be in the development stage and expects to incur additional losses and require additional financial resources. The continuation of the Company's research and development activities and the commercialization of its products is dependent upon the Company's ability to successfully complete its research programs, protect its intellectual property and finance its cash requirements on an ongoing basis. It is not possible to predict the outcome of future research and development activities. The ability of the Company to settle its obligations as they become due and realize its assets in the ordinary course of business is dependant upon the Company securing ongoing financing and funding from strategic alliances.

2. Significant accounting policies:

(a) Revenue recognition:

Revenue includes research fees, reagent sales and service fees earned from third parties. Research fees are recognized as revenue when research and development activities are performed under the terms of the agreement. Reagent sales are recognized as revenue when title to the reagents is transferred to the buyer. Service fees for administrative support and other services are recognized over the term of the agreement.

(b) Cash and cash equivalents:

Cash and cash equivalents include unrestricted cash, term deposits and government backed securities having maturities not exceeding 90 days from their respective acquisition dates. The Company 's line of credit expired in December 1999.

2. Significant accounting policies (continued):

(c) Research and development:

Research costs are expensed as incurred. Development costs are expensed as incurred unless such costs meet the criteria for deferral and amortization under generally accepted accounting principles. To date, the Company has not deferred any development costs.

(d) Long-term investments:

Portfolio investments are accounted for using the cost method. The Company periodically reviews the carrying value of its long-term investments. Any impairment, other than temporary, in their carrying value is charged to operations in the year in which the impairment is assessed.

(e) Capital assets:

Capital assets are recorded at cost less related tax credits. Laboratory equipment under capital lease is initially recorded at the present value of minimum lease payments at the inception of the lease. Depreciation is provided using the following methods and annual rates:

Asset	Basis	Rate
Laboratory equipment	Declining balance	20%
Furniture and fixtures	Declining balance	20%
Office leasehold improvements	Straight line	Term of lease

(f) Deferred financing charges:

Debt issue costs are deferred and amortized on a straight-line basis over the term of the debt. Accumulated amortization as at June 30, 2000 is $21,516 (December 31, 1999 - $11,598).

2. Significant accounting policies (continued):

(g) Tax credits:

Tax credits are accounted for as a reduction of the related expenditure for items of a current expense nature and a reduction of the related asset for items of a capital nature when the Company has reasonable assurance that the credits will be realized.

(h) Stock-based compensation plan:

Under the Company's stock-based compensation plan, no compensation expense is recognized when stock options or warrants are issued. Any consideration received on the exercise of stock options, warrants or purchases of stock is credited to share capital.

(i) Future income taxes:

The Company accounts for income taxes using the asset and liability method. Future tax assets and liabilities are recognized for the future taxes attributable to the temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax carrying values. Future tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in operating results in the period of the rate change enactment. A valuation allowance against future tax assets is provided to the extent that realization of these future tax assets is not more likely than not.

(j) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting year. Actual results could differ from those estimates.

3. Tax credits and income taxes:

The Company earns tax credits on current and capital expenditures that are eligible as scientific research and experimental development ("SR&ED") expenditures. While the Company is classified as a Canadian-controlled private corporation and satisfies other criteria, established by Canadian federal and provincial taxation authorities, a significant portion of the tax credits earned is refundable in cash, with the remainder available as an offset against future income taxes payable. The amount of refundable tax credits ultimately received by the Company is dependent upon review by taxation authorities of the technical and financial aspects of the claims.

As a result of its listing as a public company on the Canadian Venture Exchange, the Company will not be eligible for refundable federal tax credits in fiscal 2000 and subsequent years. The eligibility of the Company for refundable provincial research tax credits depends on the Company's compliance with the provincial tax legislation.

At December 31, 1999, the Company has non-refundable research tax credits of approximately $232,000 which are available to reduce federal income taxes payable in future years up to and including 2009 and an unclaimed scientific research expenditure pool of approximately $4 million which can be carried forward indefinitely as a deduction against taxable income and taxable capital, the benefits of which will be recognized when realized.

In addition, at December 31, 1999, the Company has non-capital losses of approximately $2.8 million available to reduce future taxable income for years up to and including 2006, the benefit of which will be recognized when realized.

3. Tax credits and income taxes (continued):

The tax effect of temporary differences that give rise to significant future tax assets and future tax liabilities of the Company are presented below:

	December 31, 1999	December 31, 1998
Future tax assets:		
Non-capital losses carried forward	$ 1,493,000	$ 1,136,000
Research and development costs	1,603,000	1,129,000
Other	130,000	182,000
Valuation allowance	(2,760,000)	(2,068,000)
Total future tax assets	466,000	379,000
Future tax liabilities:		
Federal refundable tax credits	(311,000)	(268,000)
Capital assets - differences between net book value and undepreciated capital cost	(155,000)	(111,000)
Total future tax liabilities	(466,000)	(379,000)
Net future tax asset	$ –	$ –

4. Long-term investments:

	June 30, 2000	December 31, 1999	December 31, 1998
	(Unaudited)		
At cost	$ 700,000	$ 640,000	$ –
At quoted market price	4,150,000	–	–

The Company does not exercise significant influence over either of its investees and accordingly these portfolio investments are carried at cost. The investees, being Toxin Alert Inc. and Arius Research Inc., each completed their initial public share offerings in February 2000 and March 2000, respectively. Their shares trade on the Canadian Venture Exchange and are subject to escrow provisions until 2004. The quoted market price of the portfolio is based on the last trading price of each investee's common shares as of or prior to June 30, 2000. The quoted market price may not be indicative of the amount ultimately realizable on the disposition of these investments.

4. Long-term investments continued):

(a) Toxin Alert Inc.:

In October 1998, the Company entered into a research agreement with Toxin Alert Inc. ("Toxin"), which is controlled by an outside director and shareholder of the Company. The Company conducts research on behalf of and for the sole benefit of Toxin for which it has earned $550,000 in research fees since the contract commencement date and settled by cash of $250,000 ($50,000 in the six months ended June 30, 2000 and $200,000 in the year ended December 31, 1999 of which nil was earned in the six months ended June 30, 1999) and by 600,000 Toxin common shares. This non-monetary transaction is being recorded at $300,000, representing the estimated fair value of these shares at the contract date ($60,000 in the six months ended June 30, 2000 and $240,000 is the year ended December 31, 1999 of which nil was earned in the six-months ended June 30, 1999).

In addition, the Company earns revenues of $6,600 per month from Toxin for use of the Company's research facilities.

(b) Arius Research Inc.:

In October 1999, the Company entered into a research and services agreement with Arius Research Inc. ("Arius") on behalf of and for the sole benefit of Arius. The Company received 400,000 Arius common shares and 400,000 Class A share warrants in consideration for research services and reagents it sold to Arius during 1999. This non-monetary transaction has been recorded in the financial statements at $400,000, representing the estimated fair value of the Arius common shares at the settlement date. Each Arius Class A share warrant entitles the Company to purchase one Arius common share at $4 per share on or before October 2002.

Under an agreement with Arius, which expires in October 2000, the Company provides Arius with research facilities, administrative assistance and technical support for revenues of $8,000 per month.

5. Capital assets:

June 30, 2000 (Unaudited)	Cost	Accumulated depreciation	Net book value
Laboratory equipment	$ 1,228,950	$ 329,196	$ 899,754
Laboratory equipment under capital lease	40,085	19,305	20,780
Furniture and fixtures	145,187	47,826	97,361
Office leasehold improvements	106,738	21,864	84,874
	$ 1,520,960	$ 418,191	$ 1,102,769

December 31, 1999	Cost	Accumulated depreciation	Net book value
Laboratory equipment	$ 912,768	$ 252,360	$ 660,408
Laboratory equipment under capital lease	40,085	16,996	23,089
Furniture and fixtures	120,657	38,828	81,829
Office leasehold improvements	29,518	14,759	14,759
	$ 1,103,028	$ 322,943	$ 780,085

December 31, 1998	Cost	Accumulated depreciation	Net book value
Laboratory equipment	$ 579,850	$ 128,873	$ 450,977
Laboratory equipment under capital lease	40,085	11,224	28,861
Furniture and fixtures	99,501	21,015	78,486
Office leasehold improvements	29,518	8,855	20,663
	$ 748,954	$ 169,967	$ 578,987

Depreciation of laboratory equipment under capital lease for the six months ended June 30, 2000 of $2,309 (six months June 30, 1999 - $3,607 and year ended December 31, 1999 - $5,772; year ended December 31, 1998 - $7,215; period ended December 31, 1997 - $4,009) is included in depreciation expense.

6. Shareholder loan:

The shareholder loan bears interest at 6.75% with no fixed repayment terms.

7. Capital leases:

	June 30, 2000	December 31, 1999	1998
	(Unaudited)		
1999	$ –	$ –	$ 34,927
2000	15,272	33,145	27,555
2001	3,701	5,483	–
	18,973	38,628	62,482
Less interest at rates varying from 8.5% to 19.1%	1,398	3,175	6,622
	17,575	35,453	55,860
Less current portion	14,147	30,544	29,660
	$ 3,428	$ 4,909	$ 26,200

All of the leases are secured by the laboratory equipment to which they relate. Interest of $2,552 for the six months ended June 30, 2000 (year ended December 31, 1999 - $5,634; year ended December 31, 1998 - $8,876; period ended December 31, 1997 - $3,512) relating to capital lease obligations has been included in interest expense.

8. Convertible debt:

During the year ended December 31, 1999, the Company issued convertible debt in two separate transactions described below. Each convertible debt instrument contains both a liability element and an equity element, being the conversion option, which have been classified separately in the balance sheet as presented in the table below. The carrying amount of the financial liability of each debt instrument has been determined by discounting the stream of future payments of interest and principal at the prevailing market rate for a debt instrument of comparable maturity and credit quality but excluding any conversion privilege by the holder. A market interest rate of 10% discounts the carrying value of the debt component of both debt instruments to an amount of $5,003,381. The carrying amount of the equity component was valued at $155,717, determined by deducting the carrying amount of the liability component from the gross proceeds received on the compound instrument. Interest of $246,875 on the financial liability component has been included in general and administrative expense for the six months ended June 30, 2000 (six months ended June 30, 1999 - $10,228; year ended December 31, 1999 - $122,823). Accreted interest is shown net of amortization of prior period's interest accrual, which is amortized over the remaining term of the convertible debt.

8. Convertible debt (continued):

No value was attributable by the Company to the warrants issued on the convertible debt issues during the period.

	Convertible debt			Conversion option (note 9)		
	Rights Offering	Genzyme Corporation	Total	Rights Offering	Genzyme Corporation	Total
Debt proceeds	$ 1,227,530	$ 3,721,569	$ 4,949,099	$ 128,270	$ 28,431	$ 156,701
Debt conversion	(11,592)	–	(11,592)	(984)	–	(984)
Accreted interest (net)	3,848	62,026	65,874	–	–	–
Balance, December 31, 1999	**1,219,786**	**3,783,595**	**5,003,381**	**127,286**	**28,431**	**155,717**
Accreted interest (net)	10,192	179,875	190,067	–	–	–
Balance, June 30, 2000 (unaudited)	**$ 1,229,978**	**$ 3,963,470**	**$ 5,193,448**	**$ 127,286**	**$ 28,431**	**$ 155,717**

8. Convertible debt (continued):

(a) Rights Offering:

Pursuant to a Rights Offering dated May 17, 1999, 13,558 units were issued for proceeds of $1,355,800, before debt issuance costs of $108,464. An amount of $101,685 of the proceeds was placed in escrow from which the Company at its option drew funds to make the interest payments. Each unit issued consists of a 7.5% redeemable convertible subordinated debenture in the principal amount of $100 and 18 common share purchase warrants. The convertible debentures will mature on June 30, 2004 and are convertible at the holders' option into common shares at a conversion price of $2.75 per share if converted prior to June 30, 2001 and $3.25 per common share if converted thereafter. The common share purchase warrant entitles the holder thereof to purchase one common share at a price of $4.50, subject to adjustment in certain events up to and including January 2001. The debentures and common share purchase warrants are redeemable by the Company subject to the weighted average market price being not less than $6.00 per share for 20 consecutive trading days ending not more than five trading days prior to the redemption notice date.

(b) Genzyme Corporation:

Pursuant to a research funding agreement signed with Genzyme Corporation ("Genzyme") in October 1999, the Company issued a convertible note for an amount of $3,750,000, bearing interest at 9.8%, repayable on October 26, 2004 and 513,699 common share Series B warrants. Genzyme has the right to convert all or part of the principal amount, together with, at Genzyme's option, the then accrued interest thereon, into common shares of the Company at a price per share equal to $6.80 subject to certain adjustments. The common share Series B warrants entitle Genzyme to purchase one common share at a price of $7.30 per share at anytime on or before the fifth year following the respective issue dates. The common share Series B warrants are callable by the Company for $0.01 per warrant at any time after it has achieved the research milestones.

Under this agreement, Genzyme has an opportunity to invest up to $15 million in the Company's stroke test research program subject to the Company achieving certain research milestones within specified time frames. The funding will be in the form of convertible debt and common share Series B warrants. The Company has granted Genzyme a worldwide license for manufacturing and distributing the stroke diagnostics at a percentage royalty of revenue, as defined.

9. Share capital:

	June 30,		December 31,		
	2000	1999	1999	1998	1997
	(Unaudited)				
Common shares	$ 4,227,870	$ 3,848,930	$ 4,173,144	$ 3,826,344	$ 5,000
Conversion option on convertible debt (note 8)	155,717	128,228	155,717	–	–
Warrants	15,896	15,896	15,896	15,896	765,495
	$ 4,399,483	$ 3,993,054	$ 4,344,757	$ 3,842,240	$ 770,495

9. Share capital (continued):

(a) Authorized:

Unlimited common shares, without par value

Unlimited non-voting preference shares, issuable in series; no preference shares have been issued

Issued and outstanding common shares:

	June 30,				December 31,					
	2000		1999		1999		1998		1997	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(Unaudited)									
Balance, beginning of period	3,507,631	$ 4,173,144	3,389,566	$ 3,826,344	3,389,566	$ 3,826,344	2,000,000	$ 5,000	–	$ –
Issued for:										
Cash	–	–	–	–	–	–	525,100	1,832,599	2,000,000	5,000
Warrants exercised	–	–	–	–	–	–	864,466	2,361,279	–	–
Stock options exercised	21,832	54,726	8,501	22,586	94,554	299,809	–	–	–	–
Services received	–	–	–	–	19,730	35,250	–	–	–	–
Debentures converted	–	–	–	–	3,781	12,576	–	–	–	–
Issue costs	–	–	–	–	–	(835)	–	(372,534)	–	–
	3,529,463	$ 4,227,870	3,398,067	$ 3,848,930	3,507,631	$ 4,173,144	3,389,566	$ 3,826,344	2,000,000	$ 5,000

9. Share capital (continued):

(b) Warrants:

	Common share purchase warrants		Special warrants		Seed capital warrants		
	Number	Amount	Number	Amount	Number	Amount	Total
Opening balance	–	$ –	–	$ –	–	$ –	$ –
Issued	2,000,000	2,000	275,133	825,400	–	–	827,400
Issue costs	–	–	–	(61,905)	–	–	(61,905)
Balance, December 31, 1997	2,000,000	2,000	275,133	763,495	–	–	765,495
Issued	1,389,566	13,896	88,333	264,999	501,000	1,352,660	1,631,555
Exercised	–	–	(363,466)	(1,008,619)	(501,000)	(1,352,660)	(2,361,279)
Issue costs	–	–	–	(19,875)	–	–	(19,875)
Balance, December 31, 1998	3,389,566	15,896	–	–	–	–	15,896
Issued	317,745	–	–	–	–	–	–
Balance, June 30, 1999	3,707,311	15,896	–	–	–	–	15,896
Issued	593,419	–	–	–	–	–	–
Balance, December 31, 1999 and June 30, 2000	4,300,730	$ 15,896	–	$ –	–	$ –	$ 15,896

9. Share capital (continued):

Each warrant allows the holder to purchase one common share which can be exercised at the prices and within expiry periods as follows:

Exercise price	Number of warrants	Expiry date
$ 4.50	3,713,330 Series A	January 15, 2001
7.30	513,699 Series B	October 22, 2004
2.75	73,701	January 15, 2001
	4,300,730	

Each warrant may be redeemed by the Company for $0.01 per common share purchase warrant upon 30 days' written notice following any date upon which the weighted average market price of the common shares over the period of 20 consecutive business days immediately prior to such date has equaled or exceeded $6.00 per common share.

(c) Stock option plan:

The Company has established a stock option plan (the "Plan") in 1998 for the directors, officers, employees and consultants. The maximum number of common shares that are issuable under the Plan is limited to 1,150,000 common shares. The Board of Directors determines the recipient, number of optioned shares, option price and expiry date and other terms in accordance with guidelines established by the securities regulators.

The exercise prices set must at least equal the fair value of the underlying common shares on the date of the grant. Each option granted allows the holder to purchase one common share.

9. Share capital (continued):

As at June 30, 2000, there were 187,499 options available for grant.

	June 30, 2000	Weighted average exercise price	December 31, 1999	Weighted average exercise price	December 31, 1998	Weighted average exercise price
	(Unaudited)					
Balance, beginning of period	825,667	$ 2.80	728,857	$ 3.08	–	$ –
Granted	136,500	5.48	612,500	2.48	848,857	3.14
Exercised	(21,832)	2.51	(94,554)	3.17	–	–
Expired or cancelled	(14,500)	2.27	(421,136)	2.78	(120,000)	3.50
Outstanding, end of period	925,835	$ 3.19	825,667	$ 2.80	728,857	$ 3.08
Exercisable, end of period	578,668	$ 2.78	351,889	$ 2.93	76,667	$ 3.50

Options outstanding and exercisable as of June 30, 2000 are as follows:

Options outstanding			Options exercisable
		(Unaudited)	
Exercise price	Number	Weighted average remaining contractual life	Number
$ 1.30	265,901	5.6	169,901
2.50	201,700	5.9	128,533
3.50	216,734	4.8	216,734
4.75	10,000	6.4	3,333
5.25	111,500	6.8	33,500
5.75	95,000	6.0	21,667
6.50	25,000	6.7	5,000
$ 1.30 to $ 6.50	925,835	5.7	578,668

9. Share capital (continued):

Options outstanding and exercisable as of December 31, 1999 are as follows:

	Options outstanding		Options exercisable
Exercise price	Number	Weighted average remaining contractual life	Number
$ 1.30	279,667	6.1	93,222
2.50	211,000	6.4	70,333
3.50	230,000	5.3	153,334
4.75	10,000	6.9	3,333
5.75	95,000	6.7	31,667
$ 1.30 to 5.75	825,667	6.1	351,889

10. Supplemental cash flow information:

	Six months ended June 30,		Years ended December 31,		Period from March 11, 1997 to December 31,
	2000	1999	1999	1998	1997
	(Unaudited)				
Supplemental cash flow information:					
Interest paid	$ 50,176	$ 17,484	$ 87,295	$ 15,763	$ –
Tax credits received			799,947	559,144	
Non-cash investing and financing activities:					
Common shares issued for services rendered	$ –	$ –	$ 35,250	$ –	$ –
Investments received for services rendered	(60,000)	–	(640,000)	–	–
Conversion of debentures for common shares	–	–	11,741	–	–
Capital lease obligations incurred for purchase of capital assets	–	–	–	–	48,750
Seed capital warrants issued on settlement of note	–	–	–	1,352,660	–
	$ (60,000)	$ –	$ (593,009)	$ 1,352,660	$ 48,750

11. Related party transactions:

The Company entered into the following transactions with investees, shareholders and directors:

	Six months ended June 30,		Year ended December 31,
	2000	1999	1999
	(Unaudited)		
Research fees and reagent sales	$ 110,000	$ 125,000	$ 840,000
Research and administrative services fees	144,938	12,923	50,402
Directors' fees	45,000	–	–
Interest on shareholder loan	20,861	–	–

Revenue earned from the sale of research services and reagent were measured as described in note 4. Administrative service revenues were measured at cost.

Balances receivable from investees were $96,792 at June 30, 2000 (June 30, 1999 - $120,827; December 31, 1999 - $81,168)

12. Fair values of financial instruments:

The reported values of financial instruments, which consist of cash and cash equivalents, accounts receivable, bank indebtedness and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these instruments. The carrying value of the capital lease obligations and the convertible debt approximate their fair values to reflect current market rates of interest for similar instruments of comparable maturity and credit quality. The fair value of the shareholder loan is not determinable due to its related party nature.

13. Commitments:

(a) The Company has entered into agreements with various institutions to fund specified research to be carried out by the institutions during various periods ending on or before September 30, 2001. The annual funding commitments to December 31 of each year are as follows:

2000	$ 149,865
2001	117,600
	$ 267,465

The Company is entitled to all rights, title and interest in the research results, except under the terms of one research agreement, where the research results remain the property of the institution. Under this agreement, the Company is granted a licence until January 31, 2001 to modify and/or exploit the research results in exchange for a specified royalty payable to the institution.

(b) Under a lease agreement entered into with respect to the Company's office and laboratory space, minimum annual rental payments to December 31 of each year are as follows:

2000	$ 30,282
2001	62,953
2002	15,938
	$ 109,173

14. Subsequent events:

New issue of shares:

In August 2000, the Company issued 1,450,000 special warrants at a price of $4 per special warrant for total proceeds of $5,800,000 before share issue costs of approximately $635,000. Each special warrant entitles the holder to acquire, without additional cost, a unit. On September 29, 2000, the Company filed a preliminary prospectus to qualify the distribution of 1,450,000 units, each unit consisting of one common share and one Series C common share warrant to be issued without additional payment upon the exercise or deemed exercise of the 1,450,000 special warrants previously issued by the Company pursuant to prospectus exemptions. Subject to adjustment in certain events, each Series C common share warrant entitles the holder to purchase one common share at anytime on or before August 14, 2002 at a price of $4.00 per share if exercised on or before August 14, 2001 and at $4.25 per share if exercised thereafter.

In addition, the Company issued the agents compensation warrants which entitles the agents to acquire, without additional consideration, on or before the date which is the earlier of the fifth business day after the date that a receipt is issued by the securities regulator for the final prospectus and February 14, 2002, 145,000 units at a price of $4 per unit at anytime on or before August 14, 2002.

CERTIFICATE OF THE CORPORATION

Dated: September 29, 2000

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

(Signed) *"George Jackowski"*	(Signed) *"Eugene Bortoluzzi"*
Vice-Chairman, President & Chief Scientific Officer (as chief executive officer)	Executive Vice President & Chief Financial Officer

On behalf of the Board of Directors

(signed) *"G. Montegu Black"*	(signed) *"William T. Bodenhamer"*
Director	Director

CERTIFICATE OF AGENTS

Dated: September 29, 2000

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

OCTAGON CAPITAL CORPORATION

By: (Signed) *"J. Jay Jaski"*

THOMSON KERNAGHAN & CO. LIMITED

By: Signed (*"Michael Levy"*