This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, and, subject to certain exceptions, may not be sold in the United States or to U.S. persons. See "Plan of Distribution".

Initial Public Offering

February 25, 1999

$30,500,000

5,000,000 Common Shares

The 5,000,000 Common shares ("Common Shares") of AnorMED Inc. (the "Company" or "AnorMED") offered hereby are being issued and sold by the Company.

The offering price of the Common Shares was determined by negotiation among the Company and the Underwriters. **The offering price of each Common Share exceeds the net tangible book value thereof as at December 31, 1998, after giving effect to this offering, by $3.31, representing dilution of 54.26% ($3.14 and 51.48% on a fully diluted basis). See "Dilution". There is currently no market through which the Common Shares of the Company may be sold.**

The Common Shares will be eligible for investment under certain statutes as set out under "Eligibility for Investment". **Investment in the Common Shares involves a high degree of risk and should be regarded as speculative due to the nature of the Company's business and because the Company's product candidates are still in research and development. The Company has incurred losses and expects to incur further losses. See "Risk Factors".**

The Toronto Stock Exchange has conditionally approved the listing of the Common Shares, subject to the Company fulfilling the requirements of such exchange on or before May 19, 1999, including distribution of the Common Shares to a minimum number of public shareholders.

Price: $6.10 per Common Share

	Price to the Public	Underwriters' Fee	Net Proceeds to the Company[1]
Per Common Share	$6.10	$0.3965	$5.7035
Total[2]	$30,500,000	$1,982,500	$28,517,500

Notes:

(1) Before deducting expenses of the offering estimated at $970,000 which, together with the Underwriters' Fee, will be paid by the Company from its general funds.

(2) The Company has granted the Underwriters an option (the "Over-Allotment Option") to purchase up to an additional 750,000 Common Shares at the offering price for a period expiring 30 days following the date of closing of the Offering, to cover over-allotments, if any. This prospectus qualifies the Over-Allotment Option and the Common Shares issuable upon exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, the total price to the public, the Underwriters' fee and the net proceeds to the Company will be $35,075,000, $2,279,875 and $32,795,125, respectively. See "Plan of Distribution".

The Underwriters, as principals, conditionally offer the Common Shares, subject to prior sale, if, as and when issued and delivered by the Company and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Company by Russell & DuMoulin and on behalf of the Underwriters by Farris, Vaughan, Wills & Murphy.

An affiliate of one of the Underwriters, RBC Dominion Securities Inc., is a shareholder of the Company. Under certain Canadian securities laws, the Company may be considered to be a "connected issuer" with respect to this Underwriter. See "Plan of Distribution".

Subscriptions will be received subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice. Certificates for the Common Shares will be available for delivery at the closing which is expected to occur on or about March 5, 1999, or such later date as the Company and the Underwriters may agree but, in any event, not later than April 5, 1999.

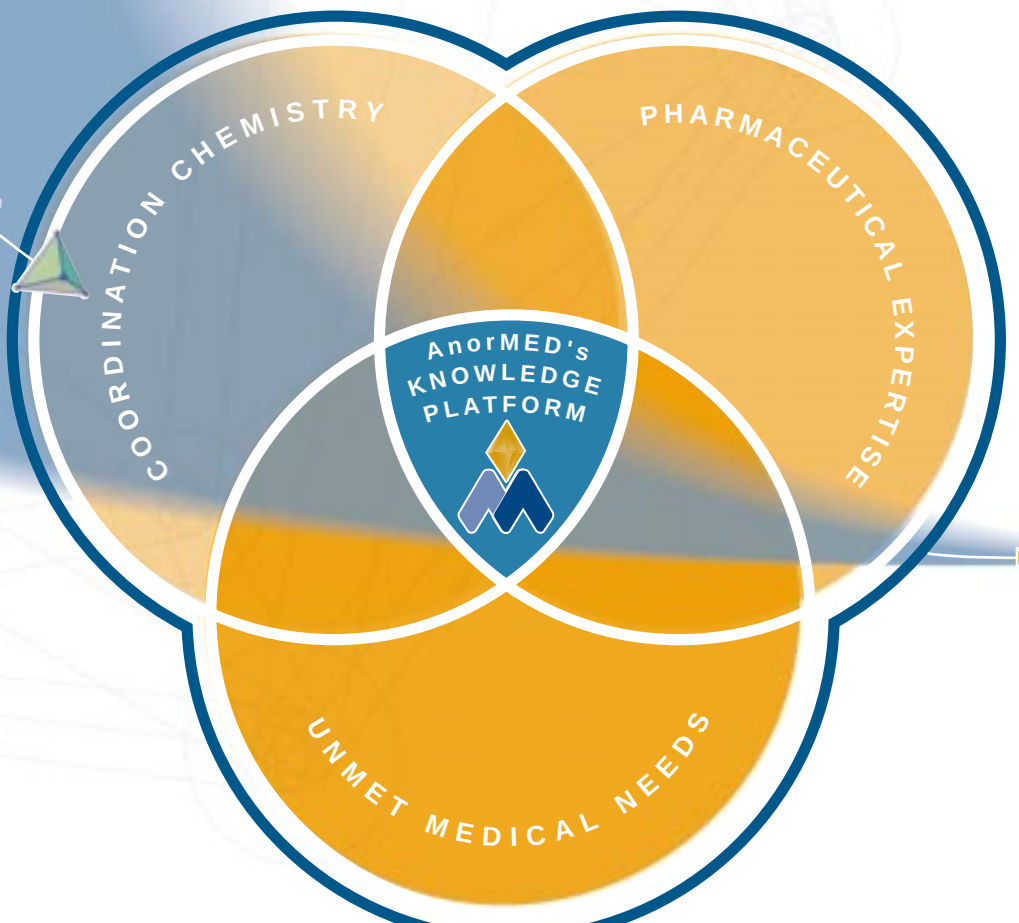
TABLE OF CONTENTS

ELIGIBILITY FOR INVESTMENT

Subject to compliance with the prudent investment standards and general investment provisions and restrictions of the statutes referred to below (and, where applicable, the regulations thereunder) and, in certain cases, subject to the satisfaction of additional requirements relating to investment or lending policies, procedures or goals, the Common Shares will not, as of the date of issuance, be precluded as investments under the following statutes:

Insurance Companies Act (Canada)
Pension Benefits Standards Act, 1985 (Canada)
Trust and Loan Companies Act (Canada)
Financial Institutions Act (British Columbia)
Pension Benefits Standards Act (British Columbia)
Loan and Trust Corporations Act (Alberta)
Alberta Heritage Savings Trust Funds Act (Alberta)
Employment Pension Plans Act (Alberta)
Insurance Act (Alberta)
The Pension Benefits Act, 1922 (Saskatchewan)
The Insurance Act (Manitoba)
The Trustee Act (Manitoba)
Pension Benefits Act (Ontario)
Loan and Trust Corporations Act (Ontario)
An Act respecting trust companies and savings companies (Quebec) (except trust companies with respect to funds, other than deposits, which are administered for other purposes)
Supplemental Pension Plans Act (Quebec)
An Act respecting insurance (Quebec) (in respect of insurers other than mutual associations, insurance funds established by professional corporations, or guaranteed fund corporations)

In the opinion of Russell & DuMoulin, counsel to the Company, and Farris, Vaughan, Wills & Murphy, counsel to the Underwriters, the Common Shares will, once listed on a prescribed stock exchange, be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans under the *Income Tax Act* (Canada).



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METALS IN MEDICINE

AnorMED is a world leader in the discovery of metal based therapeutics with a broad pipeline of product candidates.

AnorMED's "knowledge platform" refers to its expertise in the identification of the overlap between:
-**COORDINATION CHEMISTRY** - science of how metal atoms interact with molecules and ions
-**PHARMACEUTICAL EXPERTISE** - ability to identify and develop new drug candidates
-**UNMET MEDICAL NEEDS** - knowledge of large medical markets in need of improved treatments

The knowledge platform is what makes AnorMED a leading innovator in metals in medicine.

AnorMED

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candidates

Product Candidates	Disease Focus	Stage of Development	Partner
Therapeutic Programs			
ZD0473	Cancer	Phase I	Zeneca Pharmaceuticals
Lambda	Excess phosphate levels in kidney disease	Phase III	Shire Pharmaceuticals
AMD-3100	AIDS	Phase I[1]	
Atiprimod	Rheumatoid Arthritis	Phase I[2]	
Nitric Oxide Scavengers	Inflammatory bowel disease Organ protection in cardiac surgery	Preclinical	
Diagnostic Imaging Programs			
DMP-444	Blood clots	Phase III	DuPont Pharmaceuticals
RP-517	Infection	Preclinical	DuPont Pharmaceuticals
Cancer Imaging Agent	Cancer	Preclinical	DuPont Pharmaceuticals

NOTES:

(1) Phase II clinical trial plans were filed for review with the FDA in February 1999.

(2) Phase I clinical trials were successfully completed at the end of 1997.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information, including the Financial Statements of the Company and the notes thereto, appearing elsewhere in this prospectus. Certain of the statements contained in this prospectus are forward-looking statements. For a discussion of important factors that could affect such matters, see "Risk Factors". Unless otherwise indicated, all information in this prospectus assumes that the Underwriters' Over-Allotment Option is not exercised. All dollar references in this prospectus are in Canadian dollars unless otherwise specifically indicated. This prospectus includes product names and trademarks of the Company and of other organizations. Capitalized terms used in this prospectus, which are not otherwise defined herein, have the respective meanings ascribed to them in the Glossary included in this prospectus.

The Offering

Issue:	5,000,000 Common Shares
Price:	$6.10 per Common Share
Amount:	$30,500,000
Use of Proceeds:	The estimated net proceeds of the offering to the Company, after deducting the Underwriters' fee and the estimated expenses of the offering of approximately $970,000, are $27,547,500. The Company plans to use the net proceeds of the offering to fund further research and clinical trials on the Company's current product candidates, for the identification and evaluation of new product candidates, to expand and enhance management expertise relating to clinical trials and regulatory affairs in order to perform early stage clinical trials, to fund and expand business development and marketing resources, to fund capital expenditures, including an expansion of the Company's research facilities and for general corporate purposes. See "Use of Proceeds".
Dividend Policy:	The Company has not paid dividends since its inception. The Company currently intends to retain all earnings, if any, for use in the expansion of its business and therefore does not anticipate paying any dividends in the foreseeable future.

The Company

AnorMED Inc. ("AnorMED" or the "Company") is a world leader in the discovery of metal based therapeutics with a broad pipeline of product candidates. The Company refers to its expertise as its "knowledge platform".

AnorMED's knowledge platform combines the Company's understanding of coordination chemistry with its biological and pharmaceutical expertise to develop product candidates which have significant market potential. AnorMED's portfolio includes product candidates for the potential treatment of cancer, AIDS and inflammatory disease. AnorMED's research team has extensive knowledge of how metal compounds interact with biological systems which allows for the discovery of new and novel pharmaceuticals. AnorMED's current pipeline of product candidates includes five drugs in the clinical trial process and three drugs in preclinical development.

The ability to integrate the properties of metal compounds and metal binding compounds into the search for solutions to current medical problems provides AnorMED with a unique perspective in drug discovery and distinguishes it from other companies. AnorMED is not aware of any other company which applies metal coordination chemistry to as broad a range of therapeutic and diagnostic medical needs as the Company. AnorMED has a substantial number of metal based therapeutic candidates in its product pipeline and has published numerous scientific articles relating to metal based drugs.

The value of the Company's experience in metal compounds and metal binding compounds has been validated by AnorMED's partnerships with leading companies in their respective fields, such as Zeneca

Limited ("Zeneca Pharmaceuticals") of London, U.K., DuPont Pharmaceuticals Company ("DuPont Pharmaceuticals") of Wilmington, Delaware and Shire Pharmaceuticals Group PLC ("Shire Pharmaceuticals") of East Anton, U.K.

AnorMED was established by a team of seven scientists led by Dr. Michael Abrams and Dr. Geoffrey Henson, both of whom worked together from 1985 as integral members of the biomedical research group of Johnson Matthey PLC that was dedicated to the discovery and preclinical development of metal-based pharmaceuticals. In June 1996, AnorMED acquired substantially all of the group's portfolio of proprietary drug candidates then under in-house development and associated intellectual property that had been developed over the previous decade, seven of its key members, including the pharmaceutical development management team, and all of the related technical expertise.

Products Under Development

The Company has a number of product candidates under development. In addition to the product candidates summarized in the table below, AnorMED is committing significant resources to the identification and evaluation of new clinically important applications for metal and metal binding drugs.

Product Candidates	Disease Focus	Stage of Development[(1)]	Partner
Therapeutic Programs			
ZD0473	Cancer	Phase I	Zeneca Pharmaceuticals
Lambda	Excess phosphate levels in kidney disease	Phase III	Shire Pharmaceuticals
AMD-3100	AIDS	Phase I[(2)]	
Atiprimod	Rheumatoid arthritis	Phase I[(3)]	
Nitric Oxide Scavengers	Inflammatory bowel disease Organ protection in cardiac surgery	Preclinical	
Diagnostic Imaging Programs			
DMP-444	Blood clots	Phase III	DuPont Pharmaceuticals[(4)]
RP-517	Infection	Preclinical	DuPont Pharmaceuticals[(4)]
Cancer Imaging Agent	Cancer	Preclinical	DuPont Pharmaceuticals

Notes:

(1) For a description of the stages of development in the drug approval process, see "Business of AnorMED — Product Approval Process".

(2) Phase II clinical trial plans were filed for review with the FDA in February 1999.

(3) Phase I clinical trials for Atiprimod were successfully completed at the end of 1997. See "Business of AnorMED — Products Under Development".

(4) AnorMED has licenced this technology to Ortho Pharmaceutical Corporation, Inc. which has, in turn, licenced it to DuPont Pharmaceuticals. See "Business of AnorMED — Corporate Partnerships".

Business Strategy

AnorMED focuses on the research, preclinical and early clinical development of metal and metal binding compounds. AnorMED intends to add value to its product candidates by taking them through Phase II clinical trials, thereby establishing proof of efficacy in human patients, before negotiating the financial terms of its corporate partnerships. AnorMED may enter into partnerships at earlier stages of development, preclinical or Phase I, if such collaborations would substantially accelerate product development and the likelihood of clinical and market success.

Selected Financial Information

The following summary financial data has been derived from the Financial Statements of the Company contained in this Prospectus and should be read in conjunction with such statements and the notes thereto.

	Nine-month period ended December 31		Years ended March 31	
	1998	1997	1998	1997[1]
	(unaudited)			
Statement of Operations:				
Revenue				
Contract research	$ 865,438	$ 287,564	$ 350,933	$ 440,205
Licensing revenue	7,465,810	—	—	—
Interest income	1,126,602	460,755	736,147	668,985
Foreign exchange gain	677,546	—	—	—
	10,135,396	748,319	1,087,080	1,109,190
Expenses				
Research and development	4,924,413	4,345,686	5,694,836	7,056,277[2]
General and administrative	1,497,451	1,247,213	1,783,743	1,491,886
	6,421,864	5,592,899	7,478,579	8,548,163
Net earnings (loss)	$ 3,713,532	$ (4,844,580)	$(6,391,499)	$(7,438,973)
Net earnings (loss) per common share	$ 0.24	$ (0.37)	$ (0.47)	$ (0.75)
Fully diluted earnings per common share	$ 0.22	$ —	$ —	$ —

	As at December 31, 1998	As at March 31	
		1998	1997
	(unaudited)		
Balance Sheet:			
Cash and short term investments	$27,752,852	$22,543,048	$16,504,422
Working capital	26,982,057	21,836,550	16,058,753
Total assets	36,053,969	30,858,037	26,543,772
Deficit	(10,116,940)	(13,830,472)	(7,438,973)
Total shareholders' equity	34,053,465	29,558,667	25,768,002

Notes:

(1) The Company was inactive from January 5, 1996, its date of incorporation, until April 1, 1996.

(2) Includes a write-down of intellectual property of $2,984,550.

Human Resources and Research Collaborations

As of January 31, 1999, AnorMED employed or retained 43 persons, 33 of whom hold advanced degrees in science or business, including 23 who hold Ph.D. or M.Sc. degrees. The Company maintains affiliations with research centres including the Cancer Research Campaign in London, U.K., the Rega Institute of Leuven, Belgium, the Beth Israel Deaconess Medical Center of Boston, Massachusetts, the Institute of Cancer Research of Sutton, U.K., the University of Alberta in Edmonton and the Johns Hopkins University School of Medicine of Baltimore, Maryland.

RISK FACTORS

Investment in the Common Shares involves a high degree of risk and should be regarded as speculative due to the nature of the Company's business and because the Company's product candidates are still in research and development. The Company has incurred losses and expects to incur further losses.

The following factors should be considered carefully by potential purchasers when evaluating an investment in the securities offered hereby: the Company is at an early stage of development, has to date not earned revenues from the sale of products, will require substantial additional financing, currently does not have assurance that it will continue to have product liability insurance available on acceptable terms and is reliant on certain key personnel; the Company's success will depend, in part, on its ability to obtain patents and protect its proprietary rights and its ability to attract and maintain relationships with collaborative partners, licensees and other research partners; the Company's business is subject to significant government regulation, including laws regarding the handling of hazardous materials, and its ability to commercialize its products may depend, in part, on the extent to which the cost of such products is reimbursed by government authorities, private health insurers or other organizations; the biotechnology and pharmaceutical industries are subject to rapid and substantial technological change; and technological competition from pharmaceutical companies, biotechnology companies and research centres is intense and is expected to increase. See "Risk Factors".

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, those discussed in "Risk Factors" and "Special Note Regarding Forward-Looking Statements".

GLOSSARY OF TERMS

Term	Definition
Analog	A structural derivative of a compound.
cGMP (current Good Manufacturing Practices)	Codes of manufacturing practices published by the FDA and the HPB intended to ensure that drug products are consistently manufactured to a quality appropriate for their intended use.
Chemotherapy	The treatment of disease with drugs, most often used for describing the treatment of cancer. These drugs interfere with the growth and division of cancer cells.
Chemokine	A type of biological signalling molecule.
Clinical trials	Organized studies with human patients designed to provide statistically relevant clinical data for determining the efficacy or safety of new therapeutic agents and diagnostic and medical devices.
Combination therapy	Patients are given two or more drugs in combination in order to increase efficacy by attacking the disease using two or more different routes.
Coordination chemistry	The science of how metal atoms interact with molecules and ions.
DNA (Deoxyribonucleic acid)	The chemical compound present in all cells of the body that is the carrier of genetic information.
Efficacy	The ability to produce a desired effect.
FDA (Food and Drug Administration)	The United States federal government agency that regulates the production, safety and efficacy of biological and pharmaceutical products in the United States.
Fistula	An abnormal connecting channel that is a common feature of Crohn's disease.
Formulation	Preparation of the end-use dosage form of a drug by combining a pharmacologic product with non-medicinal agents. These agents can include solvents, preservatives, stabilizers, colorants, fillers and disintegrating agents to create the final dosage form (e.g. capsule, tablet or injection).
Genes	Small sections of a chromosomal DNA that carry the specific genetic information required for the production of a protein molecule by a cell.
HPB (Health Protection Branch)	An agency of the Department of Health and Welfare Canada that regulates the production, safety and efficacy of biological and pharmaceutical products in Canada.
In vitro	Taking place outside the living body; sometimes used to include the growth of cells from multicellular organisms under cell culture conditions.
In vivo	Taking place in a living organism.
IND	Investigational new drug.
IND application	A request for acceptance from the FDA or the HPB to conduct a clinical evaluation of an IND. An IND application must include information on animal tests, a description of the proposed clinical trial and a list of investigators and their qualifications.
i-NOS	An inducible enzyme which produces NO as a response to stress.
Intravenous	Within a vein or veins.
Isotopes	Variant forms of a chemical element (at the atomic level) that differ from each other in atomic mass.
Kidney dialysis	A procedure for removing nitrogenous wastes (urea) from the body when the kidneys are not functioning effectively.

Term	Definition
Linker	A chemical entity which holds two separate molecules together.
Magnetic resonance imaging (MRI)	A computerized diagnostic imaging system that uses radio frequency radiation as a source of energy for visualizing internal organs.
NDA (New Drug Application)	An application to the FDA for marketing approval for a new therapeutic agent made upon successful completion of clinical trials. The review time for a NDA is typically between 12 and 36 months and encompasses a review of all information related to animal tests, clinical trials, pharmacokinetics, drug manufacturing, processing and packaging.
Nitric oxide (NO)	A molecule containing one atom of nitrogen and one atom of oxygen.
NOS (nitric oxide synthase)	An enzyme which produces NO.
Pharmacokinetics	The study of how a drug is absorbed by, distributed through and excreted by the body.
Radioisotopes	Isotopes which emit radiation.
Receptor	A structure within a cell or on the surface of a cell that selectively binds a specific substance resulting in a specific physiologic effect.
Scavenger	A substance added to remove unwanted substances.
Sub-cutaneous	Under the skin.
T-cells	White blood cells which participate in immunity by directly assisting in antibody production or by directly attacking target cells.
Technetium	A radioactive element widely used in nuclear medicine imaging studies.
Therapeutics	Products for treating medical disorders or diseases, including synthetic small molecule drugs (pharmaceuticals), biologically derived agents (biopharmaceuticals), plant or animal extracts, human tissue products, genetic factors, and immune components.
TNF	Tumor necrosis factor — a protein involved in inflammation.
Toxicity	A condition that results from exposure to a poison or to poisonous amounts of a substance that does not cause side effects in smaller amounts but can exert harmful side effects in large doses.
Xenografts	Grafts of tissue that have been transplanted between animals of different species.

THE COMPANY

AnorMED Inc. (“AnorMED” or the “Company”) was established by a team of seven scientists led by Dr. Michael Abrams and Dr. Geoffrey Henson, both of whom worked together from 1985 as integral members of the biomedical research group of Johnson Matthey PLC (together with its affiliates, “JM”) of London, U.K. This group was dedicated to the discovery and preclinical development of metal-based pharmaceuticals. In June 1996, AnorMED acquired substantially all of the group’s portfolio of proprietary drug candidates then under in-house development and associated intellectual property that had been developed over the previous decade, seven of its key members including the pharmaceutical development management team and all of the related technical expertise (the “Biomedical Research Group”).

Since 1983, the focus of the Biomedical Research Group activities included research on improved platinum drugs and investigation into the medicinal properties of other metal and metal binding compounds. Estimated expenditures by the Biomedical Research Group during the period from 1983 to 1996 exceeded US$40 million. Highlights of this program include the development of an orally administered platinum anti-tumour agent (JM 216), which has been licensed by JM to Bristol Myers Squibb (“BMS”), and the portfolio of product candidates acquired by AnorMED. See “Business of AnorMED — Products under Development”.

In 1995, JM decided to focus its pharmaceutical related business on core activities involving the development and production of generic bulk drug species (active pharmaceutical ingredients). This decision provided AnorMED’s research team with the opportunity to establish and lead an independent entity focused solely on the continuation and expansion of the drug discovery and development activities formerly undertaken by the Biomedical Research Group of JM.

With JM’s permission, Dr. Abrams approached MDS Capital Corporation (“MDS”) which manages the largest health care venture capital fund in Canada. Dr. Abrams arranged a meeting between MDS, on behalf of a group of Canadian venture capital investors, and JM, in December 1995, following which agreement in principle was reached for the sale of the Biomedical Research Group in consideration of U.S. $10 million. MDS caused the Company to be incorporated in January 1996. From its incorporation until the completion of the acquisition, the Company’s board of directors consisted of two nominees of MDS and Dr. Abrams, who held all the outstanding shares in trust for the employees of AnorMED. The Company carried on no business until the closing of the acquisition on June 28, 1996. The purchase price was satisfied by the issue of 5,000,000 Common Shares and warrants (“Warrants”) to purchase 1,250,000 Common Shares pursuant to an asset transfer agreement between JM and AnorMED dated June 28, 1996 (the “Asset Transfer Agreement”). JM had no interest in the Company and was at arm’s length with the Company until after the completion of the sale of the Biomedical Research Group.

Concurrent with the acquisition, AnorMED completed a $19.8 million equity financing. The cost of the acquisition was allocated to the identifiable assets acquired based on fair values. See “Financial Statements”. At the time of this financing, AnorMED moved its base of operations, including several fully functional chemistry, analytical and biology laboratories from Philadelphia, Pennsylvania, U.S.A. to the Company’s present location in Langley, British Columbia, Canada.

The Company was incorporated under the *Canada Business Corporations Act* on January 5, 1996. Its principal business is located at Suite 100, 20353 64th Avenue, Langley, British Columbia, Canada, V2Y 1N5, and its registered office is located at Suite 2100, 1075 West Georgia Street, Vancouver, British Columbia, Canada, V6E 3G2.

BUSINESS OF AnorMED

Background

Metals in Biology

Metallic elements play a crucial role in all living organisms. Metal atoms in their familiar metallic state can lose electrons through common chemical reactions, forming charged ions that tend to be soluble in biological fluids. It is in this ionic form that metals play their role in living systems. The science of how metal atoms interact with molecules and ions is called "coordination chemistry" from the tendency of molecules and ions to coordinate around metal atoms to form compounds.

There is significant overlap between coordination chemistry and biology. Whereas metal ions can be considered electron deficient, most biological molecules such as proteins and DNA are electron rich. This electron imbalance leads to a general tendency for metal ions to bind to and interact with biological molecules. This same principle applies to the affinity of metal ions for many small molecules and ions crucial to life, such as oxygen. Because of this wide scope for the interaction of metals in biology, natural evolution has incorporated many metals into essential biological functions.

Metals perform a wide variety of tasks, including carrying oxygen throughout the body. A component of red blood cells is hemoglobin, a protein containing iron that binds to oxygen molecules through its iron atoms and ferries these vital molecules to bodily tissues. In addition, metal ions such as zinc can provide the structural framework for proteins. A notable example are the zinc finger proteins that regulate the function of genes in the nucleus of cells. Zinc is also a natural component of insulin, a protein hormone crucial to the regulation of sugar metabolism. Calcium minerals are the basis of bones, the structural framework of the human body. Metals such as copper, zinc, iron and manganese are incorporated into a class of proteins known as metalloenzymes, one of which is a naturally occurring detoxification agent in the body.

Metals in Medicine

Metal containing compounds have a long history in medicine, from antiquity to modern times. The Chinese used gold in medicine in 2500 B.C. and mercury compounds were used as diuretics during the Renaissance Period. It is notable, given the limited state of science at the beginning of the 20th Century, that effective metal based therapeutics such as arsphenamine, an arsenic based compound to treat syphilis, were discovered. In 1912, antimony compounds were used to treat the parasitic disease leishmaniasis, a condition resulting in blindness. In 1929, gold drugs were used to treat rheumatoid arthritis, a practice that is still widely used today. These early applications are an indication of the inherent biological activity of metal containing compounds.

In recent years, the rapid growth of understanding in biology, chemistry and medicine has paralleled a resurgence in the application of metals in medical practice. The ability to fine-tune the chemical properties of compounds, and a better understanding of biological targets, have led to more selective and effective metal based drugs. Metal based compounds form the basis of many current treatments and diagnostic procedures such as the extensive use of platinum compounds in cancer treatment, the use of gold drugs in arthritis treatment, bismuth in peptic ulcer disease treatment and the exploitation of the physical properties of various metal radioisotopes as imaging and therapeutic agents. Based on published sales figures (Med Ad News, 1998 and J. of Nuc. Med., 1998), the worldwide sales of metal based drugs in 1997 exceeded US$2.5 billion and is expected to grow as new products are developed and new applications identified.

Metals in Drug Development

The ability to vary the chemical structure of any class of compound to modify its biological activity is crucial to the process of drug design. For many metal ions, biological activity is determined not merely by the metal but by the various molecules coordinated around the metal. This characteristic allows chemists to methodically vary the structure of potential drug candidates in order to obtain specific biological effects.

AnorMED's understanding of certain properties of metals is critical to successful metal based drug development. Metal properties that AnorMED uses in the design and development of new pharmaceuticals include:

Affinity for Biomolecules. Biological molecules are naturally occurring compounds fundamental to biological function. The tendency for metal ions to interact with biological molecules provides a broad scope for the design of new drugs. An important example is the binding of certain platinum compounds to DNA, inhibiting the division of cancer cells. In addition, the ability of metals to bind to small molecules and ions can be used to scavenge and remove unwanted compounds from the body.

Enhanced Molecular Diversity. Metal compounds have diverse three dimensional structures that provide novel shapes for fitting into biological targets. These shapes are not easily duplicated by simple organic molecules. This property is potentially useful for designing pharmaceuticals.

Oxidation/Reduction Properties. Unlike most common organic molecules, many metal compounds are capable of reversibly losing or adding electrons (i.e. undergoing oxidation and reduction reactions). An understanding of oxidation and reduction reactions as they relate to disease provides an opportunity for the design of new therapeutic drugs.

Diagnostic Properties. Certain metals are available as radioisotopes and emit radiation that is useful for diagnostic imaging.

Knowledge Platform

AnorMED is a world leader in the discovery of metal based therapeutics with a broad pipeline of product candidates. See "Business of AnorMED — Products Under Development".

AnorMED refers to its expertise in the area of metals in medicine as its "knowledge platform" because of the many interlocking areas of expertise that converge in the development of the Company's product candidates. AnorMED's knowledge platform combines the Company's understanding of coordination chemistry with its biological and pharmaceutical expertise to develop product candidates for treating unmet medical needs. AnorMED has extensive knowledge of how metal compounds interact with biological systems, enabling the discovery of new and novel pharmaceuticals. This understanding enabled AnorMED's research team, while still at JM, to contribute to the design of the first orally administrable platinum anti-cancer drug (JM 216). The rights to this drug were retained by JM and licensed to BMS who are currently conducting Phase II and Phase III clinical trials.

The extensive experience of AnorMED's research team in the development of metal based drugs has provided a unique insight into how the physical and chemical properties of metal compounds relate to their biological effects. The value of this understanding and experience in metal or metal binding compounds is validated by AnorMED's partnerships with leading companies in their respective fields, such as Zeneca Limited ("Zeneca" or "Zeneca Pharmaceuticals") of London, U.K., DuPont Pharmaceuticals Company ("DuPont" or "DuPont Pharmaceuticals") of Wilmington, Delaware and Shire Pharmaceuticals Group PLC ("Shire" or "Shire Pharmaceuticals") of East Anton, U.K. See "Business of AnorMED — Corporate Partnerships".

AnorMED is unaware of any other company which applies metal coordination chemistry to as broad a range of therapeutic and diagnostic medical needs as the Company. AnorMED has a substantial number of metal based therapeutic candidates in its product pipeline, and has published numerous scientific articles relating to metal based drugs. See "Senior Management and Directors".

Products Under Development

The Company has a number of product candidates under development. In all cases, the discovery and development related to these product candidates was commenced by JM and has been continued by AnorMED. In addition to the product candidates summarized in the table below, AnorMED plans to spend $14.8 million on identifying and evaluating new and clinically important applications for metal and metal binding drugs. See "Use of Proceeds".

Product Candidates	Disease Focus	Stage of Development[(1)]	Partner
Therapeutic Programs			
ZD0473	Cancer	Phase I	Zeneca Pharmaceuticals
Lambda	Excess phosphate levels in kidney disease	Phase III	Shire Pharmaceuticals
AMD-3100	AIDS	Phase I[(2)]	
Atiprimod	Rheumatoid arthritis	Phase I[(3)]	
Nitric Oxide Scavengers	Inflammatory bowel disease Organ protection in cardiac surgery	Preclinical	
Diagnostic Imaging Programs			
DMP-444	Blood clots	Phase III	DuPont Pharmaceuticals[(4)]
RP-517	Infection	Preclinical	DuPont Pharmaceuticals[(4)]
Cancer Imaging Agent	Cancer	Preclinical	DuPont Pharmaceuticals

Notes:

(1) For a description of the stages of development in the drug approval process, see "Business of AnorMED — Product Approval Process".

(2) Phase II clinical trial plans were filed for review with the FDA in February 1999.

(3) Phase I clinical trials for Atiprimod were successfully completed at the end of 1997. See "Business of AnorMED — Products Under Development".

(4) AnorMED has licenced this technology to Ortho Pharmaceutical Corporation, Inc. which has, in turn, sub-licenced it to DuPont Pharmaceuticals. See "Business of AnorMED — Corporate Partnerships".

Therapeutic Programs

As outlined below, AnorMED has the following therapeutic programs:

ZD0473

Overview

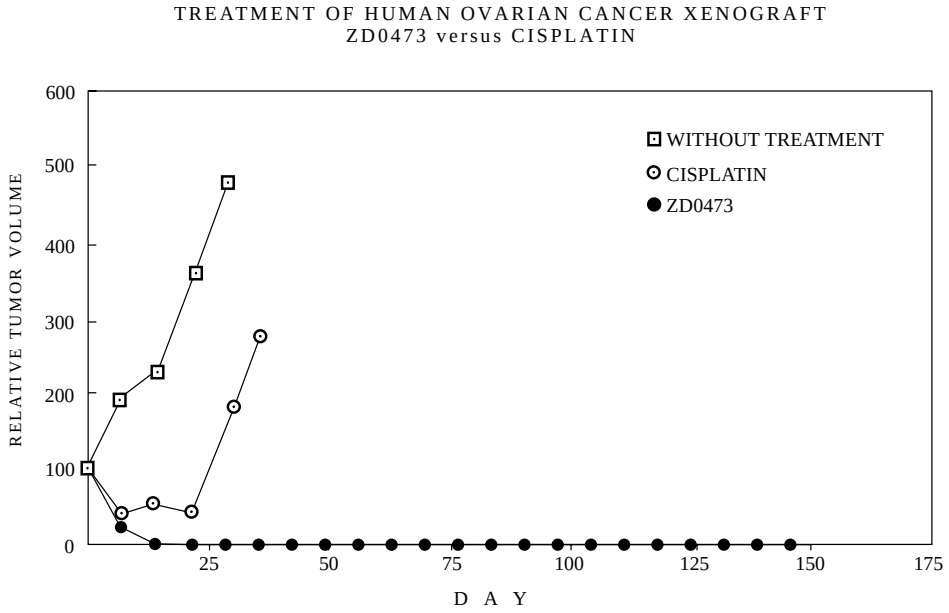
Cancer refers to a broad family or group of diseases caused by the uncontrolled growth and proliferation of cells that have undergone genetic changes or mutations. These mutations are characterized by a breakdown of the normal cellular mechanisms that regulate cell growth and cell death, which give the cancer cells a selective growth and survival advantage over normal cells. Cancer becomes more prevalent with age and with increased exposure to toxic agents such as chemicals or radiation that damage genes.

The current treatment options for most cancers are surgery, radiation therapy and chemotherapy. Often, a combination of these treatment methods is used to overwhelm the ability of cancer cells to develop resistance to the prescribed treatment. Chemotherapy generally involves the delivery of specialized pharmaceutical products that are designed to interfere with cell division and are therefore more toxic to rapidly dividing cancer cells than normal cells. Chemotherapy is the principal mode of treatment where the primary tumour is either inoperable or has spread to other parts of the body.

Platinum drugs are chemotherapeutic agents that bind to a cancer cell's DNA, initiating a complex series of events that ultimately lead to the death of the cancer cell. The platinum based anti-tumour agents, first identified in 1969, are important drugs in the current treatment of testicular, ovarian, lung, head and neck, bladder and cervical cancers. The platinum drugs currently approved in the U.S. market are cisplatin and carboplatin.

ZD0473 is a platinum based drug designed to overcome the limitations of cisplatin and carboplatin. One of the major difficulties with these therapies is that the tumours typically develop a resistance to the treatment. In preclinical *in vitro* studies performed in conjunction with the Institute of Cancer Research ("ICR") of Sutton, U.K., it was demonstrated that ZD0473 circumvents resistance in a number of human ovarian cancer cell lines with decreased sensitivity to cisplatin. *In vivo* studies of ZD0473 have consistently shown anti-tumour activity in human ovarian cancer xenografts at least equal to and in many cases superior to cisplatin.

As illustrated in the chart below, preclinical tests were conducted comparing the activity of ZD0473 versus cisplatin, in which both drugs were given at their maximum tolerated dose and administered on days zero, seven, 14 and 21. While the tumours initially responded to both drugs, after the treatment was terminated the tumours in the cisplatin treated mice recurred. However, the tumours in the ZD0473 treated mice did not recur over the course of the experiment.



Further preclinical tests indicate that ZD0473 has a much improved toxicity profile over cisplatin as well as oral bioavailability. Both of the currently approved platinum drugs, cisplatin and carboplatin, are administered by injection only.

In November 1997, AnorMED, in collaboration with the U.K. Cancer Research Campaign ("CRC"), commenced a Phase I clinical trial of AnorMED's platinum based anti-cancer drug, ZD0473, at the Royal Marsden Hospital, U.K. To date, 25 patients have been recruited and have received the drug intravenously. This Phase I trial, designed to identify the maximum tolerated dose, is expected to be completed by mid 1999 with Phase II trials commencing the second half of 1999. AnorMED, through a contract manufacturer, has successfully produced the necessary drug supply for the Phase I trial. Zeneca has assumed responsibility for subsequent supplies. See "Research Collaborators".

Effective March 31, 1998, AnorMED entered into a licencing agreement with Zeneca Pharmaceuticals, whereby AnorMED exclusively licenced ZD0473 to Zeneca for worldwide development and commercialization. Zeneca currently ranks second in terms of worldwide sales of anti-cancer drugs with 11% of the market (Datamonitor, 1998). Zeneca will assume all responsibility and expenses for development of ZD0473 including any services performed by, or for, AnorMED on the development of this compound. Therefore, the Company has not allocated any funds for expenditures on ZD0473. See "Business of AnorMED — Corporate Partnerships" and "Use of Proceeds".

Market

Cancer is the third leading cause of death worldwide, accounting for 21% of all deaths (World Health Organization, 1998 Fact Sheet). According to estimates by the World Health Organization, more than 10 million people developed cancer worldwide in 1996 and over six million others, already having the disease, died from it (World Health Organization, 1997 Report). Worldwide, the cancers with the highest incidences in 1997 were colorectal, lung and breast with total incidence of 609,000, 443,000 and 406,000 respectively. The cancers with the highest mortality were lung, ovarian, and colorectal (Datamonitor, 1998) of which lung and ovarian cancers are currently treated with platinum based anti-tumour agents. A significant development in cancer treatment in recent years is the use of platinum drugs in combination with a number of new non-platinum based anti-tumour agents (F-D-C Reports, April, 1998). A new platinum drug with enhanced anti-tumour activity has the potential to be used in similar combinations. Given the prevalence of cancer and the continued unmet medical needs in this area, new therapies and treatments are clearly needed.

In 1996, the worldwide market for drugs that destroy cancer cells, which includes platinum anti-cancer agents, was US$3.3 billion, with a 14% growth rate over 1995. Of this total, worldwide sales of platinum oncology agents were US$606 million (Datamonitor, 1997).

Lambda

Overview

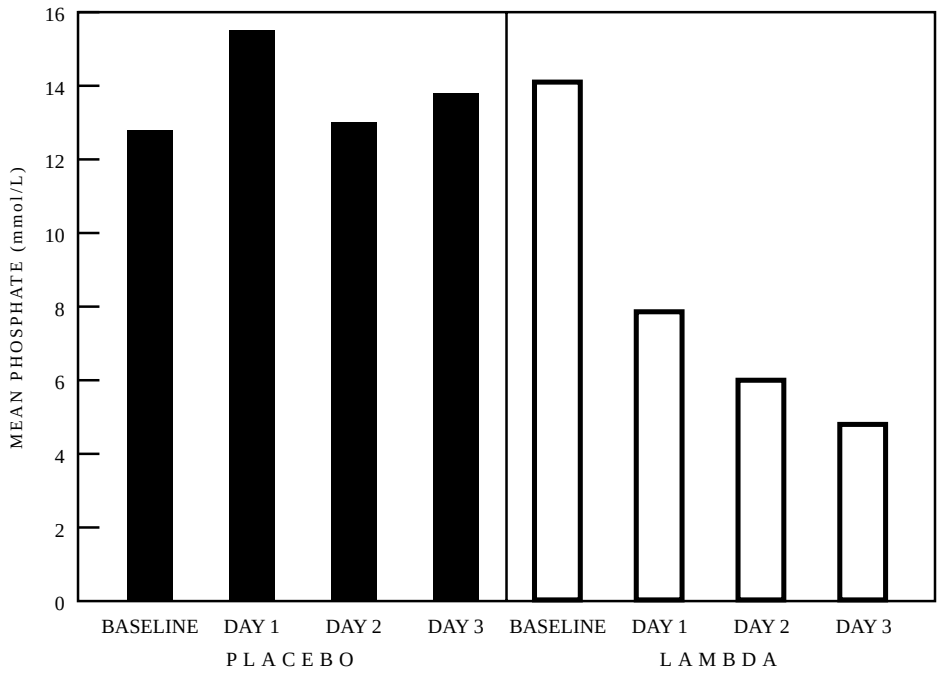
Kidney failure leads to excess levels of phosphate in the blood, a condition known as hyperphosphatemia. Healthy kidneys maintain a delicate balance between phosphate and calcium levels in the blood by excreting excess phosphate in the urine. Control of blood phosphate levels is central to the prevention of renal bone disease and hyperparathyroidism in patients with chronic kidney failure. In patients with chronic kidney failure, the kidneys are unable to remove enough phosphate to maintain the necessary balance. Elevated phosphate levels signal the body to excrete parathyroid hormone, which breaks down bone to release calcium into the blood in an effort to re-establish the balance between calcium and phosphate levels. Chronic kidney failure patients with uncontrolled elevated phosphate levels experience bone loss as well as calcification of the circulatory system caused by excessive amounts of phosphate and calcium in the blood. To compensate for the kidney's inability to rid the body of excess phosphate, almost all kidney dialysis patients use a phosphate binder to remove excess phosphate. Phosphate binders bind phosphate in the digestive tract, preventing its absorption into the bloodstream.

Lambda, the active ingredient of which is lanthanum carbonate, is a new phosphate binding agent designed to overcome the limitations of currently available drugs. Lambda is taken orally and is designed to bind phosphate in the digestive tract. Lambda is not significantly absorbed by the body, lowering the potential for side effects. In preclinical experiments, this compound has demonstrated the ability to bind phosphate in the digestive tract of rats. The activity of Lambda is based on the low solubility of lanthanum phosphate, the product formed when Lambda is exposed to phosphate in the digestive tract. Therefore, Lambda converts free phosphate into an insoluble substance that is readily excreted from the body. AnorMED has granted a worldwide exclusive licence to Shire, a leader in developing treatments for renal bone disease, for the development and commercialization of Lambda. See "Business of AnorMED — Corporate Partnerships".

A Phase I dose escalating study was conducted on 14 healthy volunteers. Different dose levels, to a maximum of 4.7 grams of lanthanum per day, were administered. This dose level was well tolerated. It is expected that the effective dose of Lambda in kidney failure patients will be substantially lower.

The following chart illustrates results from the Phase I study of healthy volunteers, whose results show that Lambda decreases phosphate levels excreted in the urine relative to placebo. In healthy people, phosphate levels in blood are maintained at normal levels by excretion of excess dietary phosphate into the urine. In patients with kidney failure this ability is reduced or eliminated and phosphate levels increase in the blood. Lambda, by binding phosphate in the digestive tract, reduces the amount of dietary phosphate that enters the bloodstream, which in healthy subjects results in decreased levels of phosphate in the urine.

URINE PHOSPHATE LEVELS IN HEALTHY VOLUNTEERS



Lambda is currently in Phase III clinical trials in Europe. Recruitment for this 600 patient trial is underway in Germany and Belgium. Additional countries will be included when Regulatory and Ethics Committee approvals are achieved.

Initiation of the Phase III trial follows positive results from a sub-group of patients who successfully completed the first four weeks of the ongoing Phase II study in the U.K. These results confirm those seen earlier in the Phase I study. Of the 28 patients in this sub group, 26 re-established control of their blood phosphate levels. Of these, 21 patients had phosphate concentrations below the target level set for the study. Adverse events were generally mild and transient. Shire has stated that final results for the U.K. and U.S. Phase II studies will be available during the second quarter of 1999. In August 1998, a Phase I study was initiated in Japan directly managed by an in-country caretaker on behalf of Shire.

AnorMED's licensee, Shire, is assuming all responsibility and expenses for the development and commercialization of Lambda. Therefore, the Company has not allocated any funds for expenditures on Lambda. See "Use of Proceeds".

Currently available phosphate binders include Renagel, a polymer based phosphate binder developed by GelTex Pharmaceuticals, Inc., calcium acetate, calcium carbonate and aluminum hydroxide. See "Business of AnorMED — Competition". In order to achieve adequate reductions in phosphate absorption, calcium acetate and calcium carbonate, the most commonly used agents, must be taken at doses which can lead to constipation and failure of patients to follow prescribed dosages. In addition, calcium therapy requires frequent monitoring because its use may result in dangerous elevations of blood calcium levels. This condition occurs in 25% to 50% of patients taking calcium-based binders. Aluminum hydroxide is more effective at lower doses

than calcium acetate or calcium carbonate, but it is infrequently used because aluminum absorbed from the intestinal tract accumulates in the tissues of patients with chronic kidney failure, causing softening of the bones, anemia and dialysis-related deterioration of intellectual function.

Due to its strong binding affinity for phosphate and low systemic absorption, Lambda has the potential to control phosphate levels in the blood and protect against bone loss.

Market

Worldwide, approximately 670,000 cases of End Stage Renal Disease (ESRD) were reported for 1996. ESRD is comprised of patients on dialysis and patients with functioning kidney transplants. In 1996, patients on dialysis included 214,103 in the United States and 167,142 in Japan. (U.S.R.D.S., 1998) The Company estimates the total worldwide market for phosphate binders for dialysis patients is approximately US$400 to US$600 million. In addition, there are potentially three times the number of pre-dialysis patients than the number of dialysis patients that could benefit from treatment.

Since the incidence of kidney disease increases with age, its prevalence is anticipated to grow in line with the advancing age of the world population. The limited availability of organs for kidney transplantation is already imposing constraints on the use of this approach for the treatment of chronic kidney failure. It is unlikely that substantially greater numbers of organs will be available in the future. Therefore, kidney dialysis will likely be the chosen treatment in a growing number of patients. AnorMED management believes the potential market for Lambda will increase as nearly all patients on kidney dialysis require phosphate binding agents as a permanent and daily part of their treatment.

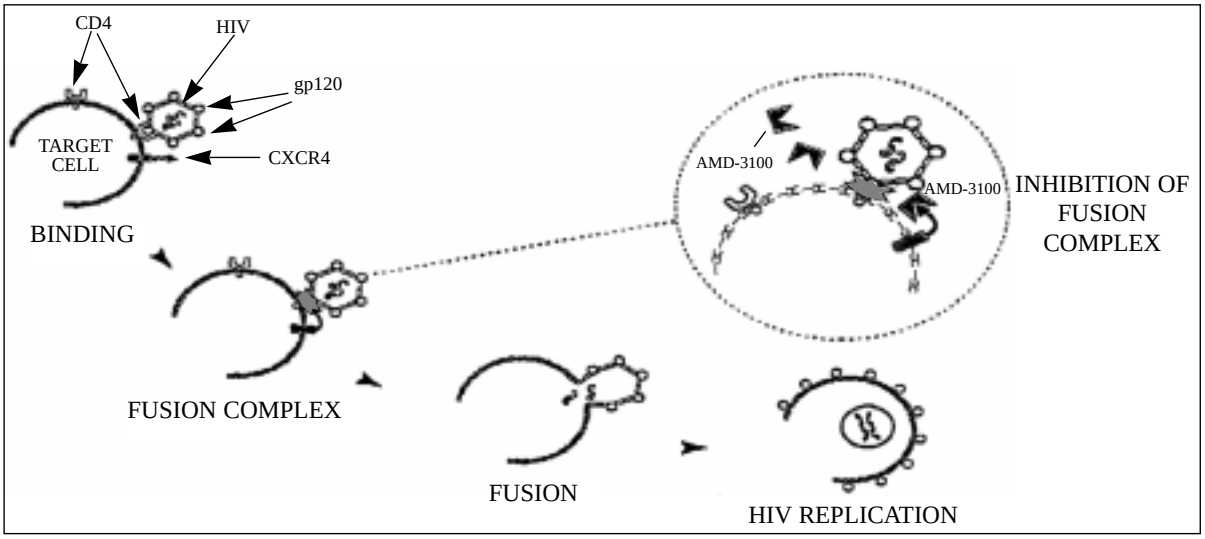
AMD-3100

Overview

Acquired immunodeficiency syndrome (“AIDS”) is caused by human immunodeficiency virus (“HIV”) infection. AIDS is characterized by a gradual decline in the body’s immune system, leading to opportunistic infections and certain cancers, dementia and, in many cases, death. Drugs for the treatment of AIDS include agents that treat the secondary conditions caused by the weakened immune system of the patient as well as drugs that directly inhibit HIV.

HIV infects by fusing with target cells and injecting its genetic material into the cells. As shown below, this process is initiated by the binding of an HIV protein, gp120, with a CD4 receptor on the target cell. A fusion complex is formed by the binding of the resulting gp120/CD4 complex with a chemokine receptor such as CXCR4. The CXCR4 chemokine receptor is found on T-cells, an important target for HIV. Loss of T-cells is a major factor in the decline of the immune system in HIV infected patients. Once HIV infects the target cell during fusion, the virus uses the target cell in order to replicate. Drugs that inhibit the formation of the fusion complex are potential anti-HIV agents.

AMD-3100 AND THE HIV INFECTION PROCESS



AnorMED's research team, in collaboration with the Rega Institute of Leuven, Belgium, discovered an entirely new class of anti-HIV agent. This discovery emerged from a program to evaluate the anti-HIV activity of various metal and metal binding compounds. An extensive synthesis and screening program identified a metal binding compound, AMD-3100, as a potent and selective inhibitor of HIV. AMD-3100 was originally licensed by JM to Novartis AG (formerly Sandoz AG), who returned the rights when they changed the focus of their research programs. Subsequently, AnorMED discovered that, as illustrated in the inset above, AMD-3100 inhibits the binding action of HIV with the CXCR4 chemokine receptor. In preclinical studies, AMD-3100 inhibits HIV *in vitro* and has shown significant *in vivo* therapeutic activity in a mouse model of HIV infection, both as a single agent and in combination with approved anti-HIV agents. The Company's collaboration on AMD-3100 with the Rega Institute is ongoing. See "Research Collaborators".

The development of resistance has historically been a problem with anti-HIV drugs. AMD-3100 operates by a novel mechanism of action compared to the anti-HIV drugs currently on the market. In preclinical studies, HIV was relatively slow to develop resistance to AMD-3100 compared to other anti-HIV agents. To the extent that therapy for HIV infection combines drugs with different targets, AMD-3100 with its novel mechanism of action is a promising drug for combination therapies. AMD-3100 is a relatively simple, synthetic molecule and has the potential to be less expensive to manufacture than other anti-HIV agents. Although there are several therapeutic strategies under development for HIV infection involving chemokine receptors, a recent article in a major scientific journal has identified AMD-3100 as the only small molecule CXCR4 chemokine inhibitor (Nature Medicine, May 1998).

Starting in August 1998, AnorMED initiated a Phase I clinical trial of AMD-3100 in healthy volunteers at the Johns Hopkins University School of Medicine in Baltimore, Maryland. The goal of this trial was to obtain initial safety and pharmacokinetic data in humans. Due to its low oral bioavailability, AMD-3100 was administered intravenously and sub-cutaneously in this trial. Thirteen volunteers were enrolled in this study and the drug was well tolerated and demonstrated linear pharmacokinetics. The results of this study were presented at the Sixth Conference on Retroviruses and Opportunistic Infections held in Chicago from January 31 to February 4, 1999. A Phase II protocol to test the effect of the drug on HIV infected individuals was filed with the FDA in February 1999. AnorMED is aggressively pursuing the identification of analogs to this compound that have oral bioavailability as well as activity against related chemokine receptors. AnorMED, through a contract manufacturer, has successfully produced the necessary drug supply for initial clinical trials. The Company has budgeted $7.3 million to progress AMD-3100 substantially through Phase II

trials by the second half of the year 2000 and plans to establish a corporate partnership thereafter for late stage trials and marketing. See "Use of Proceeds".

Market

From an estimated 100 cases reported in 1980, the number of individuals with HIV increased to 22 million as of late 1996, with projections suggesting that 40 million individuals worldwide will be afflicted by 2000 (Theta Report, August 1997). It is generally believed that in the absence of therapeutic intervention the vast majority of people infected with HIV will ultimately develop AIDS.

The United States market for AIDS and AIDS-related drugs in 1996 was US$2.2 billion and is expected to grow to US$7.7 billion in the United States alone by 2002. The total world market for such drugs is expected to be US$15.0 billion by 2002 (Theta Report, August 1997).

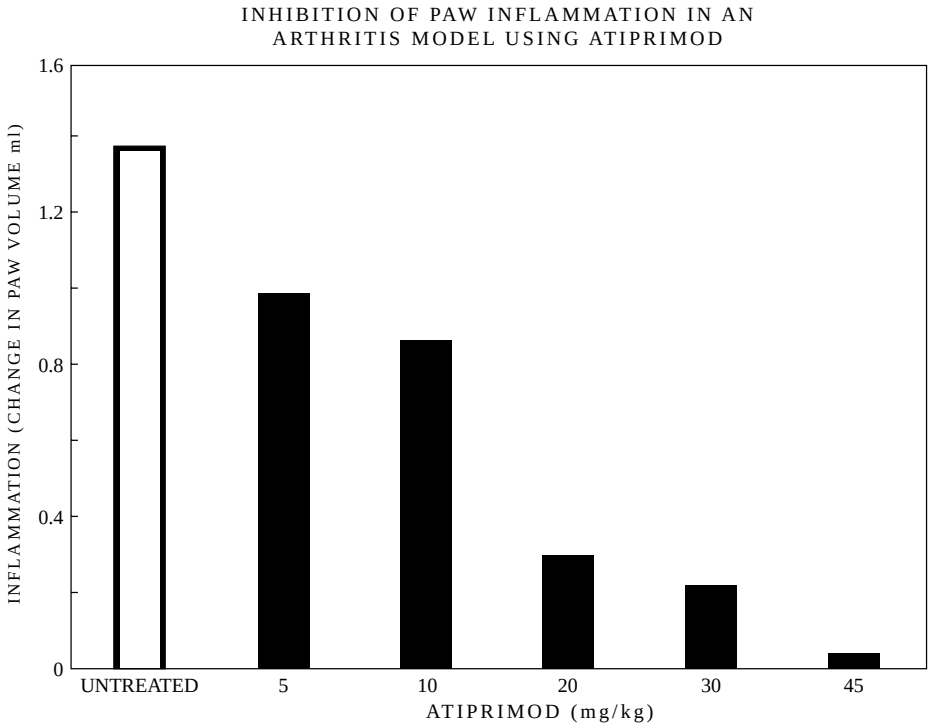
Atiprimod

Overview

Rheumatoid arthritis ("RA") is a debilitating, chronic inflammatory disease. This condition causes pain, swelling and destruction of multiple joints in the body and can also result in damage to other organs, such as the lungs and kidneys. People with advanced RA have a mortality rate greater than some forms of cancer and, as a result, treatment regimes have shifted towards aggressive early drug therapy designed to reduce the probability of irreversible joint damage. Treatment for RA includes the administration of steroids, non-steroid anti-inflammatory drugs ("NSAIDs") and disease modifying anti-rheumatic disease drugs ("DMARDs"). Only this latter class of agents attack the underlying cause of the condition. AnorMED's drug, Atiprimod, is a member of the DMARD class of drugs.

In a joint research and development program, a group including members of AnorMED's research team and SmithKline French (now SmithKline Beecham, or "SB") discovered a novel class of immunomodulatory agents, the azaspiranes. Immunomodulatory drugs affect the body's immune system and are useful in the treatment of autoimmune diseases, which include RA, psoriasis, lupus and multiple sclerosis, and in the prevention of organ transplant rejection. The azaspiranes have shown significant activity in several animal models of autoimmune diseases. The azaspiranes target particular immune system cells thereby decreasing inflammation involved in autoimmune disease. Importantly, this is accomplished without compromising normal immune system protection against opportunistic infections. After demonstrating high levels of activity in a number of preclinical models, an azaspirane molecule, Atiprimod, was selected as a clinical candidate for the area of RA.

In a rat model of arthritis, Atiprimod was shown to reduce paw inflammation. As illustrated in the chart below, administration of Atiprimod resulted in a dose dependent reduction of paw inflammation.



By the end of 1997, AnorMED's partner, SB, had completed single and multiple dose Phase I clinical trials in patients with RA. Two multi-centre trials were conducted with Atiprimod on RA patients. Both studies evaluated the safety and pharmacokinetics of Atiprimod and showed that Atiprimod is well tolerated. In the initial Phase I, 28 patients were given single escalating doses of Atiprimod. The second Phase I involved a 28 day multiple dose rising study in 28 RA patients. All patients in both Phase I trials were eligible for a six month daily dose extension study which was successfully completed at the end of 1997.

A Phase II multi-centre trial plan was accepted by the FDA. Subsequently, as part of an internal restructuring program of their extensive pharmaceutical portfolio, SB decided not to proceed with further development of Atiprimod. All rights to the azaspiranes, including Atiprimod, have reverted to AnorMED.

Given the activity in preclinical tests and the favourable results obtained in the Phase I trial, AnorMED is currently seeking corporate partners for further development and commercialization of this compound as well as developing plans for initiating a Phase II trial. The Company, pending the outcome of negotiations currently under way (See "Business of AnorMED — Prior Royalty Agreements"), has allocated $3.0 million for further development or testing of Atiprimod. See "Use of Proceeds".

One of the most commonly prescribed DMARDs is methotrexate which is also used to treat cancer. Arava and Enbrel were two new treatments for RA approved in 1998. Arava, like methotrexate, is an anti-DNA proliferation agent developed by Hoechst Marion Roussel, Inc. Enbrel is an anti-TNF agent developed by Immunex and currently approved for only those patients who have failed other DMARD treatments. Although they can be administered orally, methotrexate and Arava have significant side effect profiles. Enbrel is delivered by injection. Atiprimod is an oral compound with a potentially superior safety profile to methotrexate and Arava.

Market

RA is one of the most prevalent chronic inflammatory diseases with an incidence of 1% to 2% of the world's population. Estimates of the overall prevalence of RA range from 2.5 to 3.0 million people in the United States (DMD Report, March, 1998). RA results in more than 9.0 million physician visits and more than 250,000 hospitalizations per year in the United States (SCRIP Report, 1997).

Nitric Oxide Scavengers

Overview

Nitric oxide ("NO") is a molecule produced by the body that plays an essential role in brain function, immune system function and the regulation of blood pressure. Whereas minimum levels of NO are essential for normal function, excess levels of NO have toxic effects and are potentially involved in such diseases as inflammatory bowel disease ("IBD"), septic shock, arthritis, stroke and psoriasis. IBD includes Crohn's disease and ulcerative colitis which are chronic digestive diseases of the small and large intestines. Crohn's disease is an inflammation of the small or large intestine. Ulcerative colitis causes severe ulceration of the inner lining of the colon and rectum. Excess levels of NO are also potentially involved in organ damage that can occur during cardiac bypass surgery.

An important property of the metallic element ruthenium is its ability to bind with NO to form stable compounds. AnorMED's recognition of the potential applications of this property, in combination with its ability to design ruthenium compounds of low toxicity, led the Company to develop a series of ruthenium based NO scavengers. AnorMED's scavengers work by tightly binding NO, thus neutralizing its toxicity. A wide variety of ruthenium compounds were screened by AnorMED scientists for their ability to bind and scavenge NO. These experiments resulted in the selection of several compounds for further evaluation in animal models.

Through collaborations with a number of leading research centres, including the Beth Israel Deaconess Medical Center of Boston, Massachusetts, and the University of Glasgow, AnorMED has demonstrated *in vivo* activity with its NO scavengers in a number of animal models including a model of IBD. Preclinical testing is underway with the Beth Israel Deaconess Medical Center and with the University of Alberta to establish proof-of-principle in IBD and as an organ protective agent in cardiac bypass surgery. See "Research Collaborators".

Current medical therapy of IBD includes two drugs introduced more than 40 years ago: gluco-corticosteroids and aminosalicylates (Journal of Internal Medicine, 1997). The trade-off for high efficacy with these two drugs is the risk of systemic side effects which can be severe and, in the case of gluco-corticosteroids, irreversible.

Remicade, a Centocor Inc. product, was recently approved for moderate or severe Crohn's disease in patients who have failed conventional therapy. It is the first compound approved for draining fistulas. However, there remain significant unmet needs for maintenance therapy for both Crohn's disease and ulcerative colitis.

AnorMED's compounds have several potential advantages over alternative methods for lowering NO levels. Since AnorMED's compounds bind directly with NO, they have the potential to be faster acting than those that interfere with the synthesis of NO. Compared to competing scavengers that are based on blood components, AnorMED's compounds are simpler, readily synthesized molecules that are potentially easier and less expensive to manufacture. The Company has budgeted approximately $9.0 million to fund further research and plans to file an IND application in fiscal 2001 and begin Phase I trials thereafter. See "Use of Proceeds".

Market

According to a 1994 National Institutes of Health report, IBD is thought to generate about 700,000 visits to physicians per year, and more than 100,000 hospitalizations per year in the United States. The Crohn's & Colitis Foundation of America estimates that 2.0 million people in the United States suffer from Crohn's disease or ulcerative colitis. Every year, 30,000 new cases are diagnosed.

According to the American Heart Association more than 725,000 open heart surgeries were performed in the United States in 1995, over half of which were carried out on patients over age 65 (American Heart Association, Biostatistical Fact Sheet, 1998). Elderly patients are more susceptible to organ damage or other complications during cardiac surgery. There is a measurable decrease in brain function in 20% to 40% of all patients eight weeks after having undergone cardiac surgery (Society of Thoracic Surgeons, 1993).

Diagnostic Imaging Programs

Overview

Nuclear medicine imaging is a diagnostic tool that uses a gamma emitting radioisotope incorporated into a molecule capable of localizing in specific parts of the body associated with a particular disease. This radiopharmaceutical is administered to a patient and the resulting radioactive signal is detected with a gamma radiation detecting camera. Nuclear medicine is widely used in the diagnosis of heart, bone, liver and kidney disease as well as infection and cancer.

Due to its favourable physical properties, ready availability and low cost, the isotope of choice for most nuclear medicine imaging procedures is technetium-99m. In the United States 68% of the nuclear medicine diagnostic imaging procedures are performed using technetium-based agents (J. of Nuc. Med., March 1998).

AnorMED's research team, through its detailed understanding of metal binding chemistry, has developed a new methodology to link technetium-99m to biological molecules, including antibodies and peptides, with high specificity for disease targets. Since technetium-99m is a desirable isotope to use for nuclear medicine, the ability to link this isotope to other molecules specific for certain disease targets is important. AnorMED's research team discovered a novel aromatic hydrazine molecule, the hynic linker. This same linker can be used to connect technetium-99m to different biological molecules specific to certain diseases such as blood clots, infections or tumours. This linking chemistry allows the labelling of biological molecules in convenient radiopharmaceutical kits, which is important in a hospital setting. The high labelling efficiency obtained with the hynic linker, as noted in a recent scientific review of the field has the potential to provide superior imaging and improved disease detection over other imaging techniques (Bioconjugate Chemistry, 1997).

DuPont Pharmaceuticals, a leader in diagnostic radiopharmaceuticals, has been using the hynic linker in the development of radiopharmaceuticals for the detection and diagnosis of a variety of disease states. DuPont has an exclusive licence to develop and market the hynic linker and is incurring all costs associated with the development and commercialization of the diagnostic products outlined below. See "Corporate Partnerships".

DMP-444

DuPont is developing DMP-444 as an agent for the detection of blood clots in the body. Blood clot disorders include deep vein thrombosis (DVT) and pulmonary embolism (PE). In DVT a thick fibrous clot, known as a thrombus, forms in the veins, typically in the veins of the lower extremities. Patients with DVT are at risk of PE, which occurs when a blood clot breaks free and travels to the lungs and blocks the flow of blood to the lungs. Rapid and accurate detection of potentially life threatening blood clots may aid physicians in making treatment decisions.

Promising Phase II results in imaging of DVT were presented at the June 1998 meeting of the Society of Nuclear Medicine (*Journal of Nuclear Medicine*, Volume 39, 1998, 218p). In the fall of 1998, DuPont initiated multi-centre Phase III clinical trials in the U.S. and Canada to evaluate DMP-444 in the imaging of PE which is one of the most serious health risks of DVT.

RP-517

DuPont has screened and selected a novel agent, RP-517, for the detection of inflammation and infection which is currently in preclinical testing. The ability to image sites of infection is of particular use in managing conditions such as fever of unknown origin and post-operative infections. Identifying the site of infection can facilitate the treatment of such infections by surgical drainage and can monitor the progress of antibiotic therapy.

Cancer Imaging Agent

AnorMED and DuPont are currently collaborating on the development of an agent for cancer imaging which is at the preclinical stage. This is a potentially broad area that could assist in the early detection of cancer as well as in the treatment planning of patients with known tumours.

Diagnostic Imaging Market

In 1996, revenues for the total world radiopharmaceutical market were US$1.13 billion. Of this figure North America accounted for 51.6%, Europe 19.5%, Asia Pacific 26.4%, and the rest of the world 2.5%. The growth rate for this period was 10.6%, and this is expected to steadily increase as new applications to different disease areas, such as oncology, are developed (World Nuclear Medical Imaging Markets — Frost & Sullivan, 1997).

Business Strategy

AnorMED plans to continue and expand its drug discovery and development activities through the strategy outlined below.

Expand drug discovery capability. In order to enhance its ability to identify and develop a steady stream of new product candidates, AnorMED is enlarging its biological research capabilities. AnorMED is focussing on the identification of new metal enzyme targets and enzymes and receptors that can be inhibited by metal based drugs. This will require the addition of molecular biology, enzymology, rapid throughput screening and structural biology capabilities that would enable AnorMED to produce these target proteins and evaluate potential inhibitors. In conjunction with the in-house activities described above, AnorMED will continue to evaluate promising opportunities to license from third parties, such as research centres, the rights to further develop their work in metal compound or metal binding areas.

Continue strong preclinical collaborations with international research centres to identify and test new lead compounds. AnorMED's scientists interact extensively with the Company's Scientific Advisory Board (see "Management — Scientific Advisory Board") and a broad network of research associates and collaborators to identify areas in medicine with large potential markets where metal and metal binding compounds can play a meaningful role. Innovative ideas are initially tested by the in-house synthesis of prototype compounds followed by in-house screening using biochemical or cell culture experiments. If results at this stage are promising, external collaborators who are recognized in their field are identified to perform more advanced tests.

Progress lead compounds through early stage clinical trials. AnorMED intends to add value to its product candidates by taking them through Phase II clinical trials, thereby establishing efficacy in human patients, before negotiating the financial terms of its corporate partnerships. AnorMED may enter into partnerships at earlier stages of development, preclinical or Phase I, if such collaborations would substantially accelerate product development and the likelihood of clinical and market success. AnorMED's in-house clinical and regulatory capabilities in the design and implementation of clinical trials are supplemented through the use of external collaborators and contractors and the use of recognized clinical and regulatory consultants.

Extend process development capability. AnorMED plans to extend its ability to design processes for the synthesis of its product candidates. AnorMED's research team has considerable experience in this area, having worked on aspects of the process development and chemistry required for regulatory approval of several drugs

including carboplatin, JM-216 and AMD-3100. It is expected that commercial production will be outsourced since there are many inexpensive, efficient sources for synthesis of cGMP bulk active ingredients and finished drug product. The final drug dosage form of AMD-3100 for clinical trials has recently been produced through such a contract.

Establish corporate partnerships for late stage trials and marketing. The Company will continue to seek corporate partnerships with established pharmaceutical companies in order to carry on Phase III clinical trials, NDA filings and ultimately marketing of its products. This will mitigate the financial risk inherent in carrying out large multi-centre Phase III clinical trials, and the significant investment of money and resources to build a sales force required to address these markets.

Corporate Partnerships

The Company develops its product candidates both independently and in collaboration with established pharmaceutical companies or other suitable partners. Corporate partners may provide financial resources, research and development and manufacturing capabilities, and sales and marketing infrastructure, to aid in the commercialization of the Company's potential products. AnorMED's corporate partnership agreements, some of which were initially entered into by JM and assigned to AnorMED pursuant to the Asset Transfer Agreement, are described below. See "The Company".

Zeneca Pharmaceuticals. Effective March 31, 1998, AnorMED reached an agreement with Zeneca whereby AnorMED exclusively licensed to Zeneca, its novel anti-cancer agent AMD-473 for further development and commercialization by Zeneca's operating unit, Zeneca Pharmaceuticals. Zeneca has renamed AMD-473 as ZD0473.

Under the terms of the agreement, there has been an initial payment by Zeneca of $8.6 million in consideration for patent rights and recognition of AnorMED's research and early development efforts to date on ZD0473. In addition, there will be further milestone payments to AnorMED linked to the achievement of development and commercialization targets. The agreement also includes provision for the payment of double digit royalties at a rate that will increase according to the level of product sales achieved. Zeneca will assume all expenses and responsibility for the worldwide development and commercialization of ZD0473. The licence may be terminated by either party if there is a breach of material obligations, or in certain circumstances the failure by Zeneca to meet specified milestones. Zeneca has the right to terminate development under this licence agreement at any time prior to product approval. Upon termination of the licence agreement all the underlying technology will revert to AnorMED.

DuPont Pharmaceuticals. DuPont has, through a sub-licence with Ortho Pharmaceutical Corporation, Inc. ("Ortho"), an exclusive worldwide licence to AnorMED's hynic linker technology for use in non-cancer applications. The rights to non-cancer applications to the technology were originally licenced to Ortho and subsequently sub-licenced to DuPont on June 7, 1994. Under the terms of the original licence agreement, Ortho will make royalty and milestone payments to AnorMED on net sales of agents in non-cancer applications which include infection and thrombosis. DuPont, a world leader in the radiopharmaceutical business, is responsible for clinical development, manufacturing and marketing of the products. The licence agreement may be terminated by either party if there is a breach of material obligations or in certain circumstances the failure to meet specified milestones. Upon termination of the licence agreement the underlying technology will revert to AnorMED.

On December 15, 1996, AnorMED and DuPont entered into a licence agreement whereby DuPont was granted an exclusive worldwide licence to AnorMED's hynic linker technology for use in cancer applications. Under the terms of this licence agreement DuPont will fund a portion of the Company's research and make milestone payments for each product as it proceeds through the regulatory process. DuPont will pay a royalty to AnorMED on net product sales worldwide. DuPont has the right to terminate development under this licence agreement at any time prior to product approval. AnorMED may also terminate this licence agreement in certain circumstances which includes the failure by DuPont to meet specified target dates. Upon termination of the licence agreement all the underlying technology will revert to AnorMED.

Shire Pharmaceuticals. On February 2, 1996, Shire exercised its option under an option agreement dated January 10, 1995 to acquire the worldwide exclusive licence to AnorMED's patent on rare earth anti-hyperphosphatemia agents. As consideration for the licence, Shire will pay a royalty to AnorMED on worldwide product sales derived from this licence. Under the terms of the licence agreement Shire has assumed all development and commercialization expenses for Lambda. The licence may be terminated by either party if there is a breach of material obligations or, in certain circumstances, the failure to meet specified milestones. Shire has the right to terminate development under this licence agreement at any time prior to product approval. Upon termination of the licence agreement all the underlying technology will revert to AnorMED.

Research Collaborators

An important aspect of AnorMED's product development strategy is the establishment of collaborations with research centres with resources and expertise vital to AnorMED's programs. These collaborations provide AnorMED with access to *in vivo* disease models and *in vitro* testing capacity that would be difficult and expensive to establish in-house. In each collaboration, the Company either has an exclusive license to all patented or patentable technology developed under the research agreement or a right to an exclusive license on commercially reasonable terms. See "Prior Royalty Agreements". AnorMED currently collaborates with the following research centres:

Cancer Research Campaign, London, U.K. On February 11, 1997 AnorMED entered into a fee for service contract with the CRC to conduct preclinical studies and a Phase I clinical trial on ZD0473. This trial will be conducted at the Royal Marsden Hospital, a recognized centre for the evaluation of new anticancer therapies. Effective March 31, 1998 the costs of this collaboration have been assumed by Zeneca.

Rega Institute, Leuven, Belgium. On June 22, 1987, JM entered into a research agreement with the Rega Institute, a virology laboratory at Katholieke Universiteit. The agreement was assigned to AnorMED pursuant to the Asset Transfer Agreement (See "The Company") and was amended by AnorMED and the Rega Institute on April 1, 1998. Professor De Clercq of the Rega Institute is a world renowned researcher in antiviral chemotherapy and is a member of AnorMED's Scientific Advisory Board. The Rega Institute will be responsible for primary anti-HIV screening of AnorMED compounds and is also capable of evaluating new compounds for oral bioavailability, a crucial component of the research plan. Under this research agreement, AnorMED will pay the Rega Institute a research fee and a percentage of any royalty the Company receives on any product developed through the Rega Institute's laboratory.

Beth Israel Deaconess Medical Center, Boston, Massachusetts. On August 15, 1997, AnorMED entered into a research collaboration agreement with the Beth Israel Deaconess Medical Center to evaluate NO scavengers in models of inflammatory bowel disease. Dr. Mitchell Fink, the Chief of Surgery at the Center, is a member of the Company's Scientific Advisory Board and has collaborated with the AnorMED research team since 1995. The collaboration agreement provides for the payment by the Company to Beth Israel Deaconess Medical Center of a research fee and is subject to yearly review for renewal.

Institute of Cancer Research, Sutton, U.K. On November 15, 1989, JM entered into a collaboration agreement with the ICR, a major cancer research centre, for the evaluation of new anti-cancer agents. The agreement was assigned to AnorMED and subsequently amended on February 25 and March 24, 1998. Under the agreement, ICR is entitled to a percentage share of the Company's revenues developed through ICR's laboratory.

University of Alberta, Edmonton, Alberta. On July 24, 1997, AnorMED entered into a research collaboration agreement with the University of Alberta and Dr. I. Mayers and Dr. D.H. Johnson to investigate the role of NO and NO scavengers in cardiac bypass surgery. Under the agreement, the Company will pay a research fee to the University.

Johns Hopkins University, School of Medicine, Baltimore, Maryland. On August 1, 1998, AnorMED entered into a clinical trial agreement with the Johns Hopkins University to conduct clinical trials on AMD-3100. Under the agreement, the Company will pay a fee for each trial conducted by the University.

Prior Royalty Agreements

Under the terms of the Asset Transfer Agreement, AnorMED assumed the obligations of JM under several prior royalty agreements arising out of the transfer of intellectual property and, in some cases, funds for research and development, from related corporate and research collaborators.

In addition to its current collaborations with research institutes (see "Research Collaborators"), the Company is subject to additional royalty arrangements. AnorMED is subject to a license agreement with Ortho which calls for the payment of a percentage of royalties received by the Company for non-cancer applications of its patents which were originally licensed to Ortho (specifically DMP-444 and RP-517). Under the license agreement, these payments are limited to the amount of research funding and milestone payments the Company received from Ortho for the project. The State University of New York is entitled to a percentage share of the Company's royalties on certain of its hynic linker products. Novartis AG is entitled to a percentage of any running royalties received by the Company under any licenses that the Company grants for products relating to AMD-3100, up to an aggregate maximum amount. SmithKline Beecham is entitled to a percentage share of the Company's revenue on Atiprimod; this arrangement is currently being renegotiated.

Intellectual Property

AnorMED regards its patent and other proprietary technology rights as one of the key strengths upon which it can build a successful pharmaceutical company and therefore, the Company intends to diligently file worldwide patent applications to protect its proprietary discoveries.

The Company also relies upon trade secrets, know-how, continuing technological innovations and licensing opportunities to develop and maintain its competitive position. The Company holds rights to 36 patents or patent applications in the United States relating to the Company's technology, as well as foreign counterparts for most of these patents and patent applications. Of these patents and patent applications, 24 were filed by AnorMED or filed by JM and assigned to AnorMED and 12 were filed by AnorMED's corporate partners, all of whom have granted commercial rights to AnorMED or to JM, with such rights assigned to AnorMED pursuant to the Asset Transfer Agreement (See "The Company"). To date, 23 patents have been issued in the United States. The Company is currently preparing four new patent applications. As with the patent positions of other pharmaceutical and biotechnology firms, the Company does not know whether any patent applications will result in the issuance of patents or, for patents that are issued, whether they will provide significant proprietary protection or will be circumvented or invalidated. The Company is required to pay licence fees or royalties in each case where it has been granted a licence or other commercial right. See "Risk Factors".

In addition to the patent strategy outlined above, AnorMED also relies upon trade secrets, know-how and continuing technological innovations to develop and maintain its competitive position. It is AnorMED's policy to require its employees, consultants, members of the Scientific Advisory Board and parties to collaborative agreements to execute confidentiality agreements upon the commencement of employment, consulting relationships or a collaboration with AnorMED. These agreements provide that all confidential information developed or made known during the course of the relationship with AnorMED is to be kept confidential. In the case of AnorMED's senior scientific staff, agreements are in place providing that all inventions resulting from work performed for AnorMED utilizing property of AnorMED or relating to AnorMED's business and conceived or completed by the individual during employment are the exclusive property of AnorMED to the extent permitted by law.

Competition

Based on its review of the industry, AnorMED is not aware of any other company which applies metal coordination chemistry to as broad a range of therapeutic and diagnostic medical needs as the Company. Other companies that are conducting research and development activities on products similar to or competitive with the Company's therapeutic product candidates do not generally focus exclusively on metal based drugs. Companies which do focus on the use of metal compounds in medicine concentrate largely on diagnostic applications and AnorMED is partnered with a world leader, DuPont Pharmaceuticals, in this area.

Within a given market segment, competition is based on drug efficacy, safety, ease of use, patient compliance, price, marketing and distribution. AnorMED's ability to succeed in business will depend on its and its partners ability to compete effectively in all these areas. There can be no assurance that the Company's competitors will not succeed in developing products which are more effective than any that are being developed by the Company, or which would render AnorMED's technologies and products obsolete and noncompetitive. See "Risk Factors".

The following is a discussion of all principal competitors which management has been able to identify as being active in related product areas. The discussion is based on management's current understanding and should not be construed as identifying all competitors of the Company.

Platinum Anti-cancer Drugs. AnorMED's principal competitors in the area of platinum anti-cancer drugs include Access Pharmaceuticals, Inc., Bristol-Myers Squibb, Sanofi SA, Sequus Pharmaceuticals Inc., Shionogi & Co. and Asta Medica SA.

Phosphate Scavengers. AnorMED's principal competitors in the area of new anti-hyperphosphatemia agents include GelTex Pharmaceuticals, Inc. and Nephro-Tech Inc.

Anti-HIV Drugs. There are numerous companies with anti-HIV drugs currently under development or approved for marketing. Companies with products which would directly compete with AnorMED in the area of anti-HIV drugs which inhibit viral fusion include Trimeris Inc., Leukosite Inc. and Progenics Pharmaceuticals Inc.

RA Drugs. There are several arthritis disease-modifying drugs presently in clinical studies. These treatments generally focus on one particular aspect of the arthritic biological pathway. Companies developing treatments using recombinant DNA technology include Anergen Inc., Amgen Inc., AutoImmune Inc., Biogen Inc., Cortech Inc., Immune Response Inc. and BioTechnology General Corp. Companies developing treatments based on monoclonal antibody technologies include Celltech PLC, IDEC Pharmaceuticals Corp., Cytogen Corp., Centocor Inc., Xoma Corp. and Biogen Inc. Companies developing small molecule drugs include Angiotech Pharmaceuticals Inc., Novartis AG, Merck Inc., Roche Holding AG, Takeda Chemicals Industries and Chiroscience Group PLC.

Nitric Oxide Scavengers. AnorMED's principal competitors in the area of NO scavengers includes Apex Bioscience, Inc., Medinox, Inc. and Molichem Medicines, Inc.. The Apex product is a large protein molecule compared to AnorMED's small synthetic scavengers. Another approach to reducing NO levels in disease states involves selective inhibition of the i-NOS enzyme. To AnorMED's knowledge, several companies including Searle and Glaxo Wellcome have programs to develop selective i-NOS inhibitors.

Diagnostic Imaging. AnorMED's principal competitors marketing or developing products using radio-pharmaceuticals for the indications of thrombosis, infection and cancer include Nycomed Amersham PLC, Mallinckrodt Inc., Diatide Inc., Resolution Pharmaceuticals Inc., Cytogen Corp., Palatin Technologies Inc. and Immunomedics Inc.

Product Approval Process

The production and manufacture of AnorMED's new drug product candidates, and its research and development activities, are subject to regulation for safety and efficacy by applicable government authorities. In Canada, these activities are regulated by the *Food and Drug Act* (Canada) and the rules and regulations thereto, which are enforced by the Health Protection Branch (the "HPB"). In the United States, drugs and biological products are subject to regulation by the Food and Drug Administration ("FDA"). Drug licencing laws require licencing of manufacturing facilities, carefully controlled research and testing of products, government review and approval of results prior to marketing products, and adherence to Canadian and U.S. cGMP during production.

The principal activities which must be completed before obtaining approval for marketing of any new drug product in Canada and the United States are as follows:

(a) *Preclinical Studies.* Preclinical studies are conducted in animals to test pharmacology, efficacy and toxicology and to do formulation work based on *in vivo* results.

(b) *Phase I Clinical Trials.* Phase I clinical trials consist of testing a product in a small number of humans to determine its toxicity, dose tolerance and pharmacokinetic properties.

(c) *Phase II Clinical Trials.* Phase II clinical trials usually involve a larger patient population than is required for Phase I trials and are conducted to evaluate the effectiveness of a drug in patients having the disease or medical condition for which the drug is indicated. These trials also serve to identify possible common short-term side effects and risks in a larger group of patients.

(d) *Phase III Clinical Trials.* Phase III clinical trials involve conducting tests in an expanded patient population at geographically dispersed test sites (multi-centre trials) to establish clinical safety and effectiveness. These trials also generate information from which the overall benefit-risk relationship relating to the drug can be determined and provide a basis for drug labelling.

Two key factors influencing the rate of progression of clinical trials are the rate at which patients can be accrued to participate in the research program and whether effective treatments are currently available for the disease the drug is intended to treat. Patient accrual is largely dependent upon the incidence and severity of the disease, the treatments available and the potential side effects of the drug to be tested. An IND application must be filed and accepted by the HPB or FDA, as applicable, before each phase of human clinical trials may begin. The IND application must contain specified information including the results of the preclinical or clinical tests completed at the time of the IND application. In addition, since the method of manufacture may affect the efficacy and safety of a drug, information on manufacturing methods and standards and the stability of the drug substance and dosage form must be presented so that the HPB can ensure that the product which may eventually be sold to the public has the same composition as that determined to be effective and safe in the clinical trials. Production methods and quality control procedures must be in place to ensure a relatively pure compound, essentially free of contamination and uniform with respect to all quality aspects.

Upon completion of all clinical trials the results are submitted to the HPB as part of a new drug submission ("NDS") or to the FDA as part of a product licence application or New Drug Application ("NDA") to obtain approval to commence marketing the drug. The Company anticipates that HPB and FDA marketing approval for the majority of products will take between 12 and 36 months from the date an NDS in Canada or an NDA in the United States is submitted. In addition, an establishment licence application must be filed and approved by the HPB or FDA, as applicable, for the production of a product and test sites must demonstrate that cGMP standards have been maintained during preclinical and clinical evaluation. The HPB and FDA may require post-market surveillance programs to monitor a product's side-effects. Results of post-marketing programs may limit or expand the further marketing of products. A serious safety or effectiveness problem involving an approved drug may result in HPB or FDA action requiring withdrawal of the product from the market and possible recall action.

AnorMED's or AnorMED's corporate partners' success in ultimately obtaining marketing approval for products currently under development will depend on their ability to comply with worldwide regulations governing the manufacturing, quality control, preclinical evaluation and clinical testing of INDs. Depending upon the circumstances surrounding the clinical evaluation of a product candidate, AnorMED may itself undertake clinical trials, contract clinical trial activities to contract research organizations or rely upon corporate partners for such development. The Company believes that this approach will allow it to make cost effective development decisions in a timely fashion.

Process Development and Manufacturing

AnorMED currently has no plans to establish manufacturing facilities for the commercial production of its product development candidates. AnorMED's strategy is to develop, manufacture and commercialize its therapeutic products through arrangements with major pharmaceutical and biotechnology companies and will rely on such companies, licensees or other entities for commercial scale manufacturing and marketing of its products. There can be no assurance, however, that the Company will be able to reach satisfactory arrangements with such parties, that such arrangements will be successful or that its partners will be able to develop adequate manufacturing capabilities for commercial scale quantities.

Human Resources

As of January 31, 1999, AnorMED employed or retained 43 persons, 33 of whom hold advanced degrees in science or business, including 23 who hold Ph.D. or M.Sc. degrees. Of the Company's total work force, 33 employees are engaged in or directly support research and development activities, and ten are engaged in business development, finance and administrative activities. See "Management". In addition, AnorMED has contractual arrangements with several scientists at a number of academic institutions. See "Business of AnorMED — Research Collaborators". To supplement its in-house expertise, AnorMED has retained consultants in a number of areas, including business development and regulatory affairs. All personnel execute confidentiality agreements with the Company.

Facilities

AnorMED's head office and main laboratory is located in Langley, British Columbia, Canada. The 16,000 square foot facility currently houses a modern laboratory and administrative offices. AnorMED moved into these facilities in February of 1997 under a 10 year lease with the option of three additional five year renewal terms. Annual lease commitments are approximately $215,000 over the term of the lease. Effective June 1, 1998, the Company has leased an additional 11,000 square feet of space to allow for future expansion plans, including construction of additional biological, analytical and chemical laboratories and corresponding office space for annual lease commitments of approximately $150,000 per year.

RISK FACTORS

Investment in the Common Shares involves a high degree of risk and should be regarded as speculative due to the nature of the Company's business and because the Company's product candidates are still in research and development. The Company has incurred losses and expects to incur further losses.

In addition to the other information contained in this Prospectus, the following factors should be considered carefully by potential purchasers when evaluating an investment in the securities offered hereby:

Early Stage Development

AnorMED was founded in 1996 and is at an early stage of development. AnorMED has not completed the development of any products and, accordingly, has not begun to market or generate revenues from the commercialization of its products. AnorMED's products will require significant additional clinical testing and investment prior to commercialization. A commitment of substantial resources by AnorMED and its partners to conduct time-consuming research and clinical trials will be required if AnorMED is to complete the development of its portfolio of product candidates. There can be no assurance that any of AnorMED's products will meet applicable regulatory standards, obtain required regulatory approvals, be capable of being produced in commercial quantities at reasonable costs or be successfully marketed. Most of AnorMED's products are not expected to be commercially available for several years.

Lack of Product Revenues; History of Operating Losses

To date, AnorMED has not recorded any revenues from the sale of products. From its date of incorporation to December 31, 1998, AnorMED has accumulated net losses of approximately $10.1 million. The Company has realized a net profit of $3,713,532 during the nine month period ended December 31, 1998 due to the initial payment from Zeneca; however, typically such payments only occur when significant development milestones are achieved. There can be no assurance that any such milestones will be achieved in the future. See "Business of AnorMED — Corporate Partnerships". Consequently, AnorMED expects losses to increase in the near term as it commences its clinical trials and eventually seeks regulatory approval for the sale of its products. AnorMED expects to continue to incur substantial operating losses unless and until such time as product sales and royalty payments generate sufficient revenues to fund its continuing operations.

Additional Financing Requirements and Access to Capital

Since inception, AnorMED has raised approximately $30.5 million, net of offering costs, from the sale of equity in private placements. AnorMED will require substantial additional funds for further research and development, planned clinical trials and regulatory approvals. Further funding for these purposes may be achieved through public or private equity or debt financings, collaborative arrangements with pharmaceutical companies and/or from other sources. Further equity financings may substantially dilute the interest of AnorMED shareholders. There can be no assurance that additional funding will be available at all or on acceptable terms to permit successful commercialization of AnorMED's products. Other than leases for certain capital equipment, AnorMED has no established bank financing arrangements, and there can be no assurance that AnorMED will be able to establish such arrangements on satisfactory terms. See "Management's Discussion and Analysis — Liquidity and Capital Resources".

Patents and Proprietary Rights

AnorMED's success will depend, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing on the proprietary rights of third parties or having third parties circumvent AnorMED's rights. AnorMED has filed and is actively pursuing applications for U.S., Canadian and foreign patents. The patent positions of biotechnology and pharmaceutical companies can be highly uncertain and involve complex legal and factual questions. Thus, there can be no assurance that any of AnorMED's patent applications will result in the issuance of patents, that AnorMED will develop additional proprietary products that are patentable, that any patents issued to AnorMED or those that already have been issued will provide AnorMED with any competitive advantages or will not be challenged by any third parties, that the patents of others will not impede the ability of AnorMED to do business or that third parties will not be able to circumvent AnorMED's patents. Furthermore, there can be no assurance that others will not independently develop similar products, duplicate any of AnorMED's products, or, if patents are issued to AnorMED, design around the patented products developed by AnorMED.

AnorMED may be required to obtain licences from third parties to avoid infringing patents or other proprietary rights. No assurance can be given that any licences required under any such patents or proprietary rights would be made available, if at all, on terms acceptable to AnorMED. If AnorMED does not obtain such licences, it could encounter delays in the introduction of products, or could find that the development, manufacture or sale of products requiring such licences could be prohibited.

A number of pharmaceutical and biotechnology companies and research and academic institutions have developed technologies, filed patent applications or received patents on various technologies that may be related to or affect the Company's business. Some of these technologies, applications or patents may conflict with the Company's technologies or patent applications. Such conflict could limit the scope of the patents, if any, that the Company may be able to obtain or result in the denial of the Company's patent applications. In addition, if patents that cover the Company's activities are issued to other companies, there can be no assurance that the Company would be able to obtain licenses to these patents at a reasonable cost or be able to develop or obtain alternative technology. If AnorMED does not obtain such licenses, it could encounter delays in the introduction of products, or could find that the development, manufacture or sale of products requiring such licenses could be prohibited. In addition, AnorMED could incur substantial costs in defending itself in suits brought against the Company on patents it might infringe or in filing suits against others to have such patents declared invalid.

Since patent applications in the United States are maintained in secrecy until the patents issue or foreign counter-parts, if any, publish and, since publication of discoveries in the scientific or patent literature often lag behind actual discoveries, the Company cannot be certain that it or any licensor was the first creator of inventions covered by pending patent applications or that it or such licensor was the first to file patent applications for such inventions. Moreover, the Company might have to participate in interference proceedings declared by the U.S. Patent and Trademark Office to determine priority of invention, which could result in substantial cost to the Company, even if the eventual outcome were favourable to the Company. There can be

no assurance that the Company's patents, if issued, would be held valid or enforceable by a court or that a competitor's technology or product would be found to infringe such patents.

Much of AnorMED's know-how and technology may not be patentable. To protect its rights, AnorMED requires employees, consultants, advisors and collaborators to enter into confidentiality agreements. There can be no assurance, however, that these agreements will provide meaningful protection for AnorMED's trade secrets, know-how or other proprietary information in the event of any unauthorized use or disclosure. Further, AnorMED's business may be adversely affected by competitors who independently develop competing technologies, especially if AnorMED obtains no, or only narrow, patent protection. See "Business of AnorMED — Intellectual Property".

Government Regulations

The manufacture and sale of human therapeutic and diagnostic products in the U.S. and Canada are governed by a variety of statutes and regulations in both countries. These laws require approval of manufacturing facilities, controlled research and testing of products and government review and approval of a submission containing manufacturing, preclinical and clinical data in order to obtain marketing approval based on establishing the safety and efficacy of the product for each use sought, including adherence to cGMP during production and storage and control of marketing activities, including advertising and labelling.

The products currently under development by AnorMED will require significant development, preclinical and clinical testing and investment of substantial funds prior to their commercialization. The process of obtaining required approvals can be costly and time-consuming, and there can be no assurance that future products will be successfully developed and will prove to be safe and effective in clinical trials or receive applicable regulatory approvals. Markets other than the United States and Canada have similar restrictions. Potential investors should be aware of the risks, problems, delays, expenses and difficulties which may be encountered by AnorMED in view of the extensive regulatory environment which controls its business.

Rapid Technological Change and Substantial Competition

AnorMED is engaged in a rapidly changing field. Other products and therapies that will compete directly with the products that AnorMED is seeking to develop and market currently exist or are being developed. Competition from fully integrated pharmaceutical companies and more established biotechnology companies is intense and is expected to increase. Most of these companies have significantly greater financial resources and expertise in discovery and development, manufacturing, preclinical and clinical testing, obtaining regulatory approvals and marketing than AnorMED. Smaller companies may also prove to be significant competitors, particularly through collaborative arrangements with large pharmaceutical and established biotechnology companies. Many of these competitors have significant product that have been approved or are in development and operate large, well funded discovery and development programs. Academic institutions, governmental agencies and other public and private research organizations also conduct research, seek patent protection and establish collaborative arrangements for therapeutic products and clinical development and marketing. These companies and institutions compete with AnorMED in recruiting and retaining highly qualified scientific and management personnel. In addition to the above factors, AnorMED will face competition based on product efficacy and safety, the timing and scope of regulatory approvals, availability of supply, marketing and sales capability, reimbursement coverage, price and patent position. There is no assurance that AnorMED's competitors will not develop more effective or more affordable products, or achieve earlier patent protection or product commercialization, than AnorMED.

Other companies may succeed in developing products earlier than AnorMED, obtaining HPB and FDA approvals for such products more rapidly than AnorMED, or in developing products that are more effective than products proposed to be developed by AnorMED. While AnorMED will seek to expand its technological capabilities in order to remain competitive, there can be no assurance that research and development by others will not render AnorMED's technology or products obsolete or non-competitive or result in treatments or cures superior to any therapy developed by AnorMED, or that any therapy developed by AnorMED will be preferred to any existing or newly developed technologies. See "Business of AnorMED — Competition".

Unproven Market

AnorMED believes that there will be many different applications for its products. It also believes that the anticipated market for its products will continue to expand. These assumptions may prove to be incorrect for a variety of reasons, including competition from other products and the degree of commercial viability of AnorMED's products.

Lack of Manufacturing and Marketing Experience

AnorMED has not yet introduced any products and has no manufacturing or marketing experience. To be successful, AnorMED's products must be manufactured in commercial quantities in compliance with regulatory requirements and at acceptable costs. In order to manufacture its products in commercial quantities, if it elects to do so, AnorMED will need to develop its own manufacturing facilities or contract with third parties to manufacture its products. No assurance can be given that AnorMED will be able to make the transition to commercial production.

In addition, production of AnorMED's products may require raw materials for which the sources and amount of supply are limited. An inability to obtain adequate supplies of such raw materials could significantly delay the development, regulatory approval and marketing of AnorMED's products.

Reliance on Key Personnel

AnorMED is dependent on certain members of its management and scientific staff, the loss of services of one or more of whom could materially adversely affect AnorMED. In addition, AnorMED's ability to manage growth effectively will require it to continue to implement and improve its management systems and to recruit and train new employees. Although AnorMED has done so in the past and expects to do so in the future, there can be no assurance that AnorMED will be able to successfully attract and retain skilled and experienced personnel.

Status of Healthcare Reimbursement

AnorMED's ability to commercialize products successfully may depend in part on the extent to which reimbursement for the cost of such products and related treatments will be available from government health administration authorities, private health coverage insurers and other organizations. Third-party payers in the U.S. are increasingly challenging the price of medical products and services, and it is anticipated that new federal or state legislation will be proposed to attempt to provide broader and better health care and to manage and contain its cost. Significant uncertainty exists as to the reimbursement status of newly approved healthcare products, and there can be no assurance that adequate third-party coverage will be available to establish price levels sufficient for AnorMED to realize an appropriate return.

Foreign Exchange Fluctuation

AnorMED maintains its accounts in Canadian dollars. A portion of AnorMED's revenue and expenditures are in foreign currencies, most notably in U.S. dollars, and therefore AnorMED is subject to foreign currency fluctuations which may, from time to time, impact its financial position and results. The Company enters into hedging arrangements typically through the use of forward or futures contracts to minimize the impact of decreases in the value of the U.S. dollar.

Potential Product Liability

AnorMED's business exposes it to potential product liability risks which are inherent in the testing, manufacturing, marketing and sale of therapeutic products. Human therapeutic products involve an inherent risk of product liability claims and associated adverse publicity. While AnorMED will continue to take precautions it deems appropriate, there can be no assurance that it will be able to avoid significant product liability exposure. AnorMED has product liability insurance coverage to a maximum of $1 million per incident and an aggregate of $2 million. Such insurance is expensive, difficult to obtain and may not continue to be

available on acceptable terms, if at all. An inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of AnorMED's current or potential products. A product liability claim brought against AnorMED or a product withdrawal could have a material adverse effect upon AnorMED and its financial condition.

Dependence on Collaborative Partners

The Company's strategy is to enter into various arrangements with corporate and academic collaborators, licensors, licensees and others for the research, development, clinical testing, manufacturing, marketing and commercialization of its products. To date, the Company also has entered into research collaborations for the potential development and commercialization of its product candidates with several pharmaceutical firms, pursuant to which the Company could receive additional funding, including milestone payments from those parties. The Company intends to enter into additional corporate partnering agreements to develop and commercialize products based upon its drug delivery technology. There can be no assurance, however, that the Company will be able to establish such additional collaborations on favourable terms, if at all, or that its current or future collaborative arrangements will be successful.

Should any collaborative partner fail to develop or commercialize successfully any product to which it has rights, or any of the partner's products to which AnorMED has rights, the Company's business may be adversely affected. In addition, while the Company believes that its collaborative partners will have sufficient economic motivation to continue their funding, there can be no assurance that any of these collaborations will be continued or result in successfully commercialized products. Failure of a collaborative partner to continue funding any particular program could delay or halt the development or commercialization of any products arising out of such program, In addition, there can be no assurance that the collaborative partners will not pursue alternative technologies or develop alternative products either on their own or in collaboration with others, including the Company's competitors, as a means for developing treatments for the diseases targeted by the Company's programs.

Hazardous Materials; Environmental Matters

AnorMED's discovery and development processes involve the controlled use of hazardous and radioactive materials. The Company is subject to federal, provincial and local laws and regulations governing the use, manufacture, storage, handling and disposal of such materials and certain waste products. Although the Company believes that its safety procedures for handling and disposing of such materials comply with the standards prescribed by such laws and regulations, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, the Company could be held liable for any damages that result and any such liability could exceed the resources of the Company. The Company is not specifically insured with respect to this liability. Although the Company believes that it is in compliance in all material respects with applicable environmental laws and regulations and currently does not expect to make material capital expenditures for environmental control facilities in the near-term, there can be no assurance that it will not be required to incur significant costs to comply with environmental laws and regulations in the future, or that the operations, business or assets of the Company will not be materially adversely affected by current or future environmental laws or regulations.

Absence of Public Market and Determination of Offering Price

Prior to this offering, there was no public market for the Company's securities. The initial public offering price of the Common Shares offered under this prospectus was determined by negotiation between the Company and the Underwriters. There can be no assurance that an active trading market will develop after this offering or, if developed, that such a market will be sustained at the price level of this offering.

Year 2000 Issue

The "Year 2000 issue" is a general term used to refer to certain business implications of the arrival of the new millennium. In simple terms, these implications arise largely because it has been normal practice for computer hardware and software manufacturers to use only the last two digits rather than all four to record the year in date fields. On January 1, 2000, when the year is designated "00", many computer systems could either fail completely or create erroneous data as a result of misinterpretation of the year. In some cases, date sensitive systems may begin to fail prior to January 1, 2000. The Company has established a working committee to assess the impact of the Year 2000 on the Company and to develop a remediation plan. See "Management Discussion and Analysis — Year 2000 Issue". To the extent the Company's information systems, or the information systems of third parties with which the Company does business, including suppliers, partners and collaborators, are not fully Year 2000 compliant, the Company and these third parties may experience systems and business interruptions that could have material adverse effects on the Company's business, financial condition and results of operations.

CAPITALIZATION

The following table sets forth the capitalization of the Company, as adjusted to give effect to this offering. See "Description of Share Capital".

	Authorized Shares	Outstanding at December 31, 1998 (unaudited)	Outstanding at January 31, 1999 (unaudited)	Outstanding at January 31, 1999 after giving effect to the Offering[1] (unaudited)
Short-term indebtedness				
Current portion of capital lease obligations[2]		$ 149,656	$ 149,656	$ 149,656
Long-term indebtedness				
Capital lease obligation[2]		693,686	681,215	681,215
Shareholders' equity				
Preference shares, without par value[3]	unlimited	N/A	N/A	—
Common shares	unlimited	44,170,405 (15,375,934 shs)	44,176,577 (15,377,934 shs)	71,724,077 (20,377,934 shs)[4]
Accumulated deficit[5]		(10,116,940)	(10,116,940)	(10,116,940)
Total shareholders' equity		34,053,465	34,059,637	61,607,137
Total capitalization		$ 34,896,807	$ 34,890,508	$ 62,438,008

Notes:

(1) Reflects the issuance of 5,000,000 Common Shares of the Company at a price to the public of $6.10 per share less the Underwriters' fee and estimated expenses of the offering. See "Plan of Distribution".

(2) See Note 4 to the Company's Financial Statements for a description of capital lease obligations and Note 10 for a description of commitments under operating leases.

(3) After giving effect to the Reorganization. See "Description of Share Capital".

(4) Assuming no exercise of the Over-Allotment Option referred to under "Plan of Distribution". Also excludes 1,451,500 Common Shares of the Company reserved for issuance upon the exercise of options granted to certain of the Company's executive officers, directors, employees and consultants, and 1,807,628 Common Shares of the Company reserved for issuance pursuant to the exercise of warrants to purchase Common Shares. See "Executive Compensation — Stock Options and Share Compensation" and "Description of Share Capital".

(5) As at December 31, 1998.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

AnorMED was incorporated in January 1996, and has devoted its resources primarily to fund its research and development programs. The Company has not received any revenues other than from research and licencing contracts and interest income on its surplus funds. Although the Company has realized net earnings of $3,713,532 during the nine month period ended December 31, 1998 due to the initial payment from Zeneca (See "Business of AnorMED — Corporate Partnerships"), the Company has incurred a cumulative deficit of $10,116,940 to December 31, 1998. Losses are expected to continue for the next several years as the Company invests in product research and development, preclinical studies and clinical trials and regulatory compliance.

Review of Operations

The Company does not anticipate revenues from product sales for the foreseeable future. AnorMED expects its sources of revenue for the next several years will be interest income and payments under licensing and collaborative research agreements. Such payments may be conditional upon the achievement of certain milestones under such agreements.

Selected Financial Information

The following table sets forth selected financial information.

	Nine-month period ended December 31		Years ended March 31	
	1998	1997	1998	1997[1]
	(unaudited)			
Statement of Operations:				
Revenue				
Contract research	$ 865,438	$ 287,564	$ 350,933	$ 440,205
Licensing revenue	7,465,810	—	—	—
Interest income	1,126,602	460,755	736,147	668,985
Foreign exchange gain	677,546	—	—	—
	10,135,396	748,319	1,087,080	1,109,190
Expenses				
Research and development	4,924,413	4,345,686	5,694,836	7,056,277[2]
General and administrative	1,497,451	1,247,213	1,783,743	1,491,886
	6,421,864	5,592,899	7,478,579	8,548,163
Net earnings (loss)	$ 3,713,532	$ (4,844,580)	$(6,391,499)	$(7,438,973)
Net earnings (loss) per common share	$ 0.24	$ (0.37)	$ (0.47)	$ (0.75)
Fully diluted earnings per common share	$ 0.22	$ —	$ —	$ —

Notes:

(1) The Company was inactive from January 5, 1996, its date of incorporation, until April 1, 1996.

(2) Includes a write-down of intellectual property of $2,984,550.

	As at December 31, 1998	As at March 31	
		1998	1997
	(unaudited)		
Balance Sheet:			
Cash and short term investments	$27,752,852	$22,543,048	$16,504,422
Working capital	26,982,057	21,836,550	16,058,753
Total assets	36,053,969	30,858,037	26,543,772
Deficit	(10,116,940)	(13,830,472)	(7,438,973)
Total shareholders' equity	34,053,465	29,558,667	25,768,002

Nine month period ended December 31, 1998 compared with nine month period ended December 31, 1997

Revenue for the nine month period ended December 31, 1998 increased to $10,135,396 compared to $748,319 for the same period ended December 31, 1997. The majority of the increase was due to licensing revenue from the initial payment by Zeneca Pharmaceuticals of approximately $7.3 million (net of a royalty of $1.1 million to the Institute for Cancer Research) under the Licensing Agreement for ZD0473 with an effective date of March 31, 1998. See "Business of AnorMED — Corporate Partnerships" and "Business of AnorMED — Research Collaborators". In addition, contract revenue from research partners increased to $865,438 in 1998 from $287,564 in 1997. Contract revenue in 1998 was from activities related to the ZD0473 clinical trials that were performed by AnorMED and funded by Zeneca. Contract revenue in 1997 was for preclinical research performed by AnorMED related to the cancer application of the Company's hynic linker technology. See "Business of AnorMED — Research Collaborators". Interest income increased to $1,126,602 in 1998 from $460,755 in 1997 due to the increase in cash and short term investments primarily resulting from operating income of $3,713,532 in 1998. Gross proceeds of $781,266 from the private placement of equity securities and the exercise of warrants in December, 1997 and gross proceeds of $680,967 from a new capital lease were sufficient to fund the purchase of leaseholds, other capital assets and capitalized patent expenditures during 1998. During the nine month period ended December 31, 1998 the Company recognized a foreign exchange gain of $677,546 due to the decline in the value of the Canadian dollar relative to the U.S. dollar. The Company currently holds approximately US$6.0 million, primarily as a result of the net proceeds from the payments by Zeneca and the exercise of warrants.

Research and development expenditures continued to increase in 1998 to $4,924,413 as compared to $4,345,686 in 1997. Research activities in 1998 included Phase I clinical trials on the Company's anti-HIV agent, AMD-3100 and preclinical research on NO scavenger compounds, chemokine receptor inhibitors and new applications of metal binding technology. Research personnel costs increased by $592,276 to $1,320,577 in 1998 from $728,301 in 1997 due to the addition of 15 individuals which brings the total to 33 employees engaged directly in or directly supporting research and development in 1998 compared to 18 at the end of 1997. Other costs including lab operations, travel and conferences also increased due to the increase in staff and with the recording of a full nine months of expenses for staff that were hired throughout fiscal 1997.

General and administrative expenses increased to $1,497,451 in 1998 from $1,247,213 in 1997. The majority of these cost increases were due to the recording of a full nine months of salary and other expenses for employees that were hired during 1997. These increases were offset by a reduction of approximately $31,000 in consulting costs as AnorMED staff performed more activities that were previously performed by consultants.

Capital expenditures of $1,071,174 increased $593,279 from $477,895 in 1997. The majority of these costs were for the purchase of new laboratory equipment (which was financed via a capital lease) that enhanced the Company's in-house analytical capabilities for the faster screening of new compounds. In addition, $167,038 was expended for the purchase of computer and office equipment for both administrative and new research personnel. Additionally, $116,718 was spent on leasehold improvements during the nine month period ended December 31, 1998. These leasehold improvements relate to the initial payments on an approximately $1,000,000 expansion to the Company's laboratory and offices that is required to accommodate the increased staff necessary for the additional research and development planned by the Company. See "Use of Proceeds".

Year ended March 31, 1998 compared with year ended March 31, 1997

Revenues for the year ended March 31, 1998 were $1,087,080 as compared to $1,109,190 for the same period ended March 31, 1997. Revenues from research partners decreased to $350,933 in 1998 as compared to $440,205 in 1997 due to the timing of contract research payments. The decrease in revenues from research partners in fiscal 1998 was partially offset by interest and other income which increased by $67,162 to $736,147 in 1998 from $668,985 in 1997. Also during the year, cash and short-term investments increased to $22,543,048 in 1998 from $16,504,422 in 1997, attributable to gross proceeds of $8,366,265 from the private placement of equity securities, less share issue costs of $239,638, the majority of which closed in October and December, 1997, and the exercise of Warrants in December 1997 for proceeds of $2,055,546.

Research and development expenses, excluding the write down of intellectual property of $2,984,550 discussed below, increased by $1,623,109 to $5,694,836 for the year as compared to $4,071,727 in 1997. Research activities focussed on preclinical research on the Company's anti-HIV agent, AMD-3100, and Nitric Oxide Scavenger compounds and finalization of the preclinical work for the Company's anti-cancer compound ZD0473, which entered a clinical trial in November 1997. These activities resulted in an increase in external contract research expenditures by $843,421 to $1,041,052 in 1998 from $198,431 in 1997. Additional expenses were also incurred for the substantial completion of the pre-filing requirements for AMD-3100. Laboratory operations in the new leased research facility commenced in May 1997. Personnel costs increased $411,326 to $1,065,461 in 1998 from $654,135 in 1997 as a result of the commencement of laboratory operations in the new and expanded leased facility. Amortization expense included in gross research and development expenses also increased due to the recording of a full year's amortization in fiscal 1998 on the intellectual property and patents acquired on June 28, 1996 and on the 1997 capital expenditures and the additional depreciation on 1998 capital and patent expenditures.

General and administrative expenses increased by $291,857 to $1,783,743 in 1998 from $1,491,886 in 1997. The increase was attributable in part to higher legal fees primarily due to the negotiation of corporate collaboration agreements. Additionally, in fiscal 1997, the majority of office support functions were contracted out. Early in fiscal 1998, all office functions were taken over by AnorMED in its new office and research facility, resulting in a requirement for more personnel, new leasehold improvements and office and computer equipment which led to an increase in general and administrative expenses including amortization expense, offset by a decrease in relocation of business expenses.

Capital expenditures of $512,395 in 1998 declined marginally from $546,705 in 1997. Approximately one half of the 1998 capital expenditures were for the completion of the leasehold improvements to the Company's office and research facility. In addition, $123,877 was used to purchase new analytical and laboratory equipment and $145,775 was used for the purchase of office and computer equipment for both administrative and research personnel.

For the initial year ended March 31, 1997

On June 28, 1996 AnorMED acquired the assets and operations of JM's biomedical research group for 5,000,000 Common Shares valued at $13,637,000. Of the purchase price, $13,138,198 was attributed to intellectual property and patents and the remainder was attributed to current and capital assets. Concurrently, AnorMED also completed its first round of equity funding by private placement of shares for gross cash proceeds of $19,829,260.

The net loss for the year ended March 31, 1997 was $7,438,973, of which $1,773,238 was due to amortization and $2,984,550 for the write-down of intellectual property respectively. In November 1996, the Company was informed by one of its corporate partners, SmithKline Beecham, that it would discontinue development of Atiprimod, and would return all rights to AnorMED. Management determined that it was prudent to write-down intellectual property to reflect the potential impact on future cash flows from SmithKline Beecham's decision. Subsequently, as management believes that this product continues to have significant potential value, patent costs related to Atiprimod continue to be capitalized and management has initiated a program to licence this product to another partner. Other expenses were due primarily to

completing new office and research facilities, as well as research and development and general and administrative expenses.

During fiscal year 1997, AnorMED's management expended significant effort filling key management and board of director positions with experienced executives, negotiating key collaborative research agreements, relocating staff, and completing new laboratory and office facilities. Also, the Company worked toward completing the preclinical work needed to advance ZD0473 and AMD-3100 into Phase I clinical trials.

Liquidity and Capital Resources

Since its incorporation, the Company has financed its operations primarily through private sales of its equity securities and revenues and licence fees from its corporate partners. Through December 31, 1998, the Company had received $30,533,405 in net cash proceeds from the sale of its equity securities by way of private financing. At December 31, 1998, the Company had working capital of $26,982,057. Under its various research programs, including those entered into since December 31, 1998, the Company is obligated to make minimum research expenditures of approximately $980,000, primarily in the next year. The Company expects to fund these expenditures out of its available cash and short term investments.

As at December 31, 1998, the Company had cash and short term investments of $27,752,852. The Company also has outstanding Warrants which, if fully exercised, will result in the receipt of approximately $8.1 to $10.8 million. See "Description of Share Capital". The Company believes that the net proceeds of this offering, together with its available cash and short term investments, expected interest income and estimated funding from corporate partnerships, should be sufficient to finance its operations and capital needs through December 31, 2001, while maintaining sufficient cash reserves. The Company's funding needs may, however, vary depending upon a number of factors including progress of the Company's research and development programs, the number and breadth of these programs, achievement of milestones under collaborative research programs, the ability of the Company to establish and maintain additional collaborative research programs, the progress of the development and commercialization efforts of the Company's corporate partners, competing technological and market developments, the costs associated with completing clinical studies and the regulatory process. Consequently, the Company may need to raise substantial additional funds to continue conducting its research and development programs and to commence or continue the preclinical studies and clinical trials necessary to obtain marketing approval. In such event, the Company intends to seek additional funding through public or private financing, arrangements with corporate partners and from other sources. There can be no assurance that such funds will be available on favourable terms, or at all. If adequate funding is not available, the Company may be required to delay, reduce or eliminate one or more of its research or development programs or obtain funds through arrangements with corporate partners or others that may require the Company to relinquish greater or all rights to product candidates at an earlier stage of development or on less favourable terms than the Company would otherwise seek. Insufficient funding may also require the Company to relinquish rights to certain of its technologies that the Company would otherwise develop itself.

Year 2000 Issue

The Company has established a working committee under the responsibility of the Chief Financial Officer with representatives from all of the major departments of the Company to create a program to assess the impact of and develop a remediation plan for the impact of the Year 2000. See "Risk Factors — Year 2000 Issue". The Company has relatively few suppliers due to the nature of its business and the manner in which its business is conducted. See "Business of the Company". The Company is in the process of identifying and contacting key suppliers, partners and collaborators to determine their stage of readiness for the Year 2000. Confirmation of Year 2000 compliance has already been received from the Company's payroll, accounting and most of its internal data processing systems suppliers. The Company has alternative suppliers for each of the key areas of research and office supplies, and may use them if required. The Company does not interface electronically with any of its suppliers or service providers.

The Company is reviewing all of the clinical trials that are currently being conducted by its corporate partners and academic collaborators, to determine the vulnerability of the trials to the Year 2000. The

Company believes that the documentation being produced in these trials will provide sufficient back-up to mitigate any potential loss of data due to the Year 2000. There may be delays in trial reports as these partners and collaborators finalize any necessary upgrades to their systems. In any new contractual relationships it enters into for trials that are expected to be performed into the Year 2000, the Company specifies that Year 2000 compliance is required prior to the initiation of the trials.

The Company is also finalizing an inventory of all the equipment and software applications it uses in its stand-alone analytical and laboratory equipment that could be impacted in a material way by the Year 2000 issue. The Company is obtaining compliance certificates from suppliers of its existing and new capital equipment. Obsolete equipment is being retired from all of the Company's systems that have been identified as being susceptible to the Year 2000.

The Company's expected aggregate expenditures related to Year 2000 compliance is expected to be less than $100,000, and will be incurred and expensed in Fiscal 1999 and the first half of Fiscal 2000. Management believes that the conversion and testing of the systems can be achieved with the Company's existing staff and anticipates that testing and implementation of the necessary changes will be complete by September 1999.

USE OF PROCEEDS

The estimated net proceeds to the Company from the issue and sale of the Common Shares under this prospectus will be $27,547,500 after deducting the estimated expenses of this offering, including the Underwriters' fee. Of the estimated net proceeds of this offering, along with current working capital and deferred finance costs as at December 31, 1998 of $27,569,407, the Company currently intends to use the aggregate amount of $55,116,907 through fiscal 2001, approximately as follows:

(a) $19.3 million will be used to fund further research and clinical trials on the Company's current product candidates, comprised of $7.3 million for AMD-3100, $9.0 million for Nitric Oxide Scavengers and $3.0 million for Atiprimod. See "Business of AnorMED — Therapeutic Programs";

(b) $14.8 million will be used to fund research activities for the identification and evaluation of new and clinically important applications for metal and metal binding drugs, including $1.2 million for expenses related to acquiring intellectual property licences and for administering and filing patents and patent applications. See "Business of AnorMED — Products Under Development";

(c) $2.1 million will be used to expand and enhance management expertise relating to clinical trials and regulatory affairs in order to achieve the Company's stated objective of performing early stage clinical trials of its products before partnering, including the hiring of a Medical Director and associated in-house support personnel as well as key external consultants. See "Business of AnorMED — Business Strategy";

(d) $1.8 million will be used to fund and expand business development and marketing resources for more effective corporate partnerships and new project and in-licensing opportunities identification. See "Business of AnorMED — Business Strategy";

(e) $5.6 million will be used for capital expenditures, including $1.3 million for leasehold improvements for the construction of additional laboratory facilities, $3.7 million for additional laboratory and analytical equipment to enhance the Company's drug discovery capability (see "Business of AnorMED — Business Strategy") and $600,000 for office and computer equipment. See "Business of AnorMED — Facilities"; and

(f) $3.8 million (net of interest income of approximately $4.9 million) will be used for general and administrative expenses. The gross amount of these expenses of $8.7 million includes $4.6 million for personnel and $900,000 for facilities costs. See "Business of AnorMED — Facilities". These amounts are in addition to those amounts allocated under research programs and are expected to increase from current levels to account for increased corporate activity, including the addition of new management personnel, and as a result of becoming a public company.

The balance of the net proceeds of approximately $7.7 million will be retained as working capital. In addition, cash flow, if any, from corporate partnerships for the achievement of milestones along with the proceeds realized, if any, on the exercise of outstanding Warrants or options, will also be added to working capital. See "Business of AnorMED — Corporate Partnerships". The Company currently has outstanding Warrants to acquire 1,807,628 Common Shares, which, if fully exercised, would provide the Company with proceeds ranging between approximately $8.1 and $10.8 million. See "Description of Share Capital". As part of its corporate strategy, AnorMED intends to retain these funds as a reserve to cover any future cash shortfalls, to provide additional capital to commence new, or expand currently planned, core research or product development programs or for the acquisition or licensing of technology that is complementary to its business. Pending such uses, the net proceeds will be invested in interest bearing, investment grade securities.

The amount actually expended for the purpose described above could vary significantly depending on, among other things, the progress of the Company's research and development programs, regulatory approvals, technological advances, the commercial potential of the Company's products, the terms of any collaborative arrangements entered into by the Company and the status of competitive products.

PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and officers of the Company, the only persons who own beneficially, directly or indirectly, or exercise control or direction over, 10% or more of the Common Shares of the Company at the date hereof are set forth below:

Name and Municipality of Residence	Number of Common Shares Owned	Percentage of Class Before Giving Effect to this Offering[1]	Percentage of Class After Giving Effect to this Offering[1]
Johnson Matthey Inc. ..... Wayne, Pennsylvania[2]	2,007,444	13.1%	9.8%
Matthey Finance Limited ..... London, England[2]	1,757,444	11.4%	8.6%
Canadian Medical Discoveries Fund Inc. ..... Etobicoke, Ontario[3]	1,722,500	11.2%	8.5%
Working Opportunity Fund (EVCC) Ltd. ..... Vancouver, British Columbia	1,583,334	10.3%	7.8%
	7,070,722	46.0%	34.7%

Notes:

(1) Excluding the Common Shares, if any, issuable by the Company on the exercise of the Over-Allotment Option as described under Plan of Distribution.

(2) Johnson Matthey Inc. and Matthey Finance Limited are both members of the Johnson Matthey group of companies whose ultimate parent is Johnson Matthey PLC.

(3) Canadian Medical Discoveries Fund Inc. is managed by MDS Capital Corporation.

The directors and executive officers of AnorMED, as a group, will immediately before completion of the offering, beneficially own or exercise control or direction over an aggregate of 230,000 Common Shares (1,100,000 on a fully diluted basis), representing 1.5% (5.9% fully diluted) of the Common Shares issued and outstanding as at that time.

PLAN OF DISTRIBUTION

Under an agreement (the "Underwriting Agreement") dated February 25, 1999 among the Company, Nesbitt Burns Inc., CIBC Wood Gundy Securities Inc., RBC Dominion Securities Inc. and Goepel McDermid Inc. (the "Underwriters"), the Company has agreed to issue and sell 5,000,000 Common Shares and the Underwriters have agreed to purchase, subject to the terms and conditions stated therein, all but not less than all of the Common Shares offered for sale under this prospectus on or about March 5, 1999, but in any event not later than April 5, 1999, at a price of $6.10 per Common Share, payable in cash against delivery of the certificates representing such shares. The Company has granted the Underwriters an option exercisable for 30 days following the date of the closing of the Offering to purchase up to 750,000 additional Common Shares solely to cover the Over-Allotment Option for the same price as set forth on the cover page of this prospectus. If the Underwriters exercise the Over-Allotment Option, the Underwriters have severally agreed, subject to certain conditions, to purchase approximately the same percentage thereof that the number of Common Shares to be purchased by each of them bears to the Common Shares offered hereby. The Underwriters may exercise the Over-Allotment Option, in full or in part, solely to cover over-allotments made in connection with the sale of the Common Shares offered hereby. This prospectus qualifies the distribution of the Over-Allotment Option and the Common Shares received by the Underwriters on exercise of the Over-Allotment Option.

The obligations of the Underwriters under the Underwriting Agreement are several but not joint, and may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all the Common Shares if any are purchased under the Underwriting Agreement. The Company has also agreed to indemnify the Underwriters with respect to, or contribute to losses arising out of, certain liabilities, including liabilities under applicable securities legislation in Canada.

Pursuant to the policies of the Ontario Securities Commission and the Commission des valeurs mobilières du Québec, the Underwriters may not, throughout the period of distribution under this prospectus, bid for or purchase Common Shares if the Common Shares are listed for trading on The Toronto Stock Exchange. The foregoing restriction is subject to certain exceptions. The Underwriters may rely on such exceptions on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of the Common Shares. These exceptions include a bid or purchase permitted under the by-laws and rules of The Toronto Stock Exchange relating to market stabilization and passive market making activities. Subject to the foregoing, the Underwriters may over-allot or effect transactions in connection with this offering which stabilize or maintain the market price of the Common Shares at levels above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Common Shares offered under this prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the 1933 Act. Until 40 days after the commencement of the offering of the Common Shares pursuant to this prospectus, an offer or sale of the Common Shares within the United States or to, or for the account or benefit of, U.S. persons by any dealer (whether or not participating in the offering) may violate the registration requirements of the 1933 Act. The Underwriters have agreed that they will not offer, sell or deliver such Common Shares within the United States or to, or for the account or benefit of, U.S. persons except in accordance with the Underwriting Agreement in transactions pursuant to an exemption provided by Rule 144A from the registration requirements of the 1933 Act. The Underwriters have agreed to obtain similar undertakings from each member of any banking and selling group formed in connection with the distribution of the Common Shares.

A Canadian chartered bank controls both the Royal Bank Capital Corporation and RBC Dominion Securities Inc. (one of the Underwriters). Royal Bank Capital Corporation holds 1,394,446 Common Shares and Warrants to purchase 237,500 Common Shares, representing 9.1% of the outstanding number of Common Shares and 13.1% of the outstanding number of Warrants. As such, under certain Canadian securities laws the

Company may be considered to be a "connected issuer" with respect to RBC Dominion Securities Inc. Royal Bank Capital Corporation and RBC Dominion Securities Inc. do not have any influence on the affairs of the Company.

DESCRIPTION OF SHARE CAPITAL

The Company proposes to amend its articles to create a class of preferred shares (the "Preferred Shares"), amend the minimum and maximum number of its directors and make other changes to its constating documents as are appropriate for a reporting issuer (the "Reorganization"). The Reorganization will be completed at or prior to the completion of this offering.

After giving effect to the Reorganization, the authorized share capital of AnorMED will consist of an unlimited number of Common Shares without par value and an unlimited number of Preferred Shares issuable in one or more series, without par value. As at December 31, 1998, 15,375,934 Common Shares were issued and outstanding, 7,230,513 Warrants to purchase 1,807,628 Common Shares were outstanding and 1,790,059 price protection warrants ("Price Protection Warrants") to acquire additional Common Shares upon certain conditions for no additional consideration were outstanding. See "Prior Sales".

Common Shares. The holders of Common Shares are entitled to receive notice of any meeting of shareholders of the Company and to attend and vote thereat, except those meetings at which only the holders of shares of another class or of a particular series are entitled to vote. Each Common Share entities its holder to one vote. Subject to the rights of the holders of Preferred Shares, the holders of Common Shares are entitled to receive on a pro-rata basis such dividends as the board of the Company may declare out of funds legally available therefor. In the event of the dissolution, liquidation, winding-up or other distribution of the assets of the Company, such holders are entitled to receive on a pro-rata basis all of the assets of the Company remaining after payment of all of the Company's liabilities, subject to the rights of holders of Preferred Shares. The Common Shares carry no pre-emptive or conversion rights.

Preferred Shares. After giving effect to the Reorganization, the Preferred Shares will be issuable from time to time in one or more series, each series comprising the number of shares, designation, rights, privileges, restrictions and conditions determined by the board. The Preferred Shares will be entitled to priority over the Common Shares with respect to the payment of dividends and distributions in the event of the dissolution, liquidation or winding-up of the Company. The holders of Preferred Shares will be entitled to receive notice of any meeting of shareholders of the Company and to attend and vote thereat, except as otherwise provided in the rights and restrictions attached to the shares by the board. The Company has no present intention to issue any Preferred Shares.

Warrants. Each four Warrants entitle the holder to purchase one Common Share of the Company at any time before June 30, 2001. The price to be paid on the exercise of the Warrants is US$3.00 per share up to December 31, 1999, increases to US$3.50 per share up to December 31, 2000 and increases to US$4.00 per share up to June 30, 2001. The Warrants are not listed, and the Company will not seek to have the Warrants listed, on any stock exchange.

PRIOR SALES

During the year ended March 31, 1998, the Company issued 1,790,059 units (1,012,281 on October 30, 1997 and 777,778 on December 18, 1997), each consisting of one Common Share and one Price Protection Warrant for consideration of $4.50 a unit and total gross proceeds of $8,055,265. Each Price Protection Warrant entitles the holder to receive additional shares of the Company without payment of further consideration if the Company sells Common Shares for less than $4.50 per share prior to or at an initial public offering by the Company. All outstanding Price Protection Warrants will lapse and be cancelled on the closing of this offering. The Company also issued 1,235,112 Common Shares on February 23, 1998 for consideration of $4.50 per share for total gross proceeds of $5,558,004, which issue was done concurrently with the repurchase by the Company of 1,235,112 Common Shares from JM. In addition, the Company issued 718,750 Common Shares on the exercise of 2,875,000 Warrants on December 4, 17 and 24, 1997 at an issue

price of US$2.00 (Cdn$2.86) per share for gross proceeds of $2,055,546, and issued 113,500 Common Shares to employees on June 27, 1997 at in issue price of US$2.00 (Cdn$2.74) per share pursuant to the terms of agreements entered into in the previous year for gross proceeds of $310,991. Since March 31, 1998, the Company issued 12,000 Common Shares to an employee on June 1, 1998 at an issue price of $4.50 per share pursuant to the terms of an employment agreement entered into in October, 1997 for gross proceeds of $54,000, 2,000 Common Shares to an employee on January 26, 1999 at an issue price of US$2.00 (Cdn$3.09) per share upon the exercise of stock options for gross proceeds of $6,172 and 187,500 Common Shares on the exercise of 750,000 Warrants on December 21, 1998 at an issue price of US$2.50 (Cdn$3.88) per share for gross proceeds of $727,266.

DILUTION

Based on the unaudited balance sheet of the Company as at December 31, 1998, after giving effect to this offering, but excluding any additional Common Shares issuable on exercise of options or the Warrants, the offering price of $6.10 per Common Share will exceed the net tangible book value per Common Share by $3.31, as set forth in the following table:

Offering price per Common Share		$ 6.10
Net tangible book value per Common Share as of December 31, 1998	$ 1.87	
Increase in net tangible book value per Common Share attributable to this offering[(1)]	0.92	
Net tangible book value per Common Share after this offering		2.79
Dilution per Common Share to subscribers[(2)]		$ 3.31
Percentage of dilution in relation to the offering price[(2)]		54.26%

Notes:

(1) After deducting the estimated expenses of this offering and the fees payable to the Underwriters and assuming no exercise of the Over-Allotment Option. See "Plan of Distribution".

(2) Assuming the exercise of all currently outstanding options and Warrants, the offering price of $6.10 per Common Share will exceed the net tangible book value per Common Share by $3.14, resulting in a percentage dilution in relation to the offering price of 51.48%.

ESCROW AND POOLING ARRANGEMENTS

A total of 5,816,026 Common Shares (the "Escrowed Shares"), including 166,451 Common Shares underlying options, representing 28.54% of the Common Shares outstanding after giving effect to this offering (24.61% assuming exercise of all Warrants and outstanding options), will be held in escrow by Montreal Trust Company of Canada (the "Escrow Agent") pursuant to an agreement (the "Escrow Agreement") to be dated as of February 25, 1999 among the Company, the Escrow Agent, Dr. Michael Abrams, Johnson Matthey Inc, Matthey Finance Limited, Canadian Medical Discoveries Fund Inc., Working Opportunity Fund (EVCC) Ltd. and Royal Bank Capital Corporation (collectively, the "Escrow Holders"). The Escrow Agreement provides that the Escrowed Shares may not be sold, pledged, hypothecated, assigned or transferred within escrow, including to a financial institution, without the prior written consent of the Ontario Securities Commission and the Commission des valeurs mobilières du Québec. The Escrowed Shares will be released as to 10% nine months following the date of issue of final receipts by the Ontario Securities Commission and the Commission des valeurs mobilières du Québec for this prospectus and as to 30% on each of the first, second and third anniversaries of the initial release.

An aggregate of 15,303,434 Common Shares, including 1,807,628 Common Shares underlying Warrants and 1,238,250 Common Shares underlying options, will be subject to a pooling agreement to be dated as of February 25, 1999 among the owners of these shares, the Company, the Escrow Agent and the Underwriters. Pursuant to this agreement, these shares may not be sold or transferred, except in certain limited circumstances, from the date of completion of the offering until 12 months after the date of the agreement.

The Company and certain of its shareholders have entered into various agreements relating to the restriction of transfer of shares and other related matters. These agreements, by their terms, will automatically terminate no later than the completion of this Offering.

Pursuant to securities legislation in certain of the provinces of Canada, Common Shares held before, and any Common Shares issued on exercise of a convertible security held before, the date that a final receipt for this prospectus is obtained from the relevant regulatory authorities, generally may not be sold to the public in such provinces for a period of one year from the date of such final receipt.

DIVIDEND POLICY

The Company has not paid dividends since its inception. AnorMED currently intends to retain all available funds, if any, for use in its business and does not anticipate paying any dividends for the foreseeable future.

MANAGEMENT

The following table sets forth the name, municipality of residence, office and principal occupation of each of the directors and executive officers of the Company.

Name and Municipality of Residence	Position with the Company	Principal Occupation[1]
David Scott[2][3] ..... Vancouver, British Columbia	Chairman of the Board and Director	President, MDS Ventures Pacific Inc., a subsidiary of MDS Capital Corporation (venture capital company)
Michael J. Abrams, Ph.D. ..... Custer, Washington	President, Chief Executive Officer and Director	Officer of the Company
Geoffrey W. Henson, Ph.D. ..... Ferndale, Washington	Executive Vice President and Chief Operating Officer	Officer of the Company
W.J. (Bill) Adams, C.A. ..... Langley, British Columbia	Vice President Finance, Chief Financial Officer, Secretary and Treasurer	Officer of the Company
Michael J. Cleare Ph.D.[2] ..... Kennett Square, Pennsylvania	Director	Managing Director and President, Electronics Materials Division and Pharmaceutical Materials Group, Johnson Matthey PLC (advanced materials company)
Julia Levy, Ph.D.[2][3] ..... Vancouver, British Columbia	Director	President, Chief Executive Officer and Chief Scientific Officer, QLT PhotoTherapeutics Inc. (biopharmaceutical company)
Colin Mallet[4] ..... Whistler, British Columbia	Director	President and Chief Executive Officer, Synapse Technologies Inc. (biotechnology company)
Michael E. Phillips[3] ..... Vancouver, British Columbia	Director	Senior Vice President Investment, Growth Works Capital Ltd., manager of Working Opportunity Fund (EVCC)Ltd. (venture capital fund)

Name and Municipality of Residence	Position with the Company	Principal Occupation[1]
Forrest K. Sheffy, Ph.D[4] ..... Kennett Square, Pennsylvania	Director	Vice President and General Manager, Pharmaceutical Materials, Johnson Matthey Inc. (advanced materials company)
Willem Wassenaar, M.D.[4] ..... Toronto, Ontario	Director	Consultant, Former President Sterling Drug Ltd. (pharmaceutical company)
Edward J. Wawrzynczak, Ph.D..... Tadworth, England	Director	Executive, Rothschild Asset Management Limited (asset management company)

Notes:

(1) The directors and officers of the Company have held their present principal occupations noted opposite their respective names through the last five years except as described below under "Senior Management and Directors".
(2) Member of the Compensation Committee.
(3) Member of the Finance Committee.
(4) Member of the Audit Committee.

Senior Management and Directors

The following are brief biographies of AnorMED's senior management team and directors.

David Scott, M.B.A., Chairman of the Board and Director. Mr. Scott has spent over 30 years in investment analysis and management. He founded, built and sold a mutual fund management company, Scotiafund Financial Services Inc. He established the largest independent investment counselling firm in Atlantic Canada and later became president of North American Life's early stage venture capital affiliate, Toronto Shared Ventures Inc. In 1988, Mr. Scott joined Discovery Enterprises Inc. as President. Since 1994, Mr. Scott has been the President of MDS Ventures Pacific. He was a founding director of the Academy of Chief Executives of Technology Companies. He is also a director of a number of technology and investment companies. Mr. Scott is a graduate of Bishop's University and holds an MBA from the University of Western Ontario.

Michael J. Abrams, Ph.D., President, Chief Executive Officer and Director. Dr. Abrams has been active in the discovery and development of novel metal based drugs throughout his career. Dr. Abrams is an inventor on the patents that led to the development of the DuPont technetium-99m heart imaging agent, Cardiolite and is a co-inventor on JM 216. In 1991, Dr. Abrams was promoted to Manager, Biomedical Research, worldwide for JM. He is a named inventor on 15 patents and has authored over 50 scientific articles. He received his Ph.D. in Chemistry from the Massachusetts Institute of Technology.

Geoffrey W. Henson, Ph.D., Executive Vice President and Chief Operating Officer. Dr. Henson has over 17 years of experience in the fields of cancer chemotherapy and immunology. Prior to joining AnorMED, Dr. Henson was Manager of Preclinical and Clinical Development for JM since 1991. He has more than 14 years experience in pharmaceutical discovery and development. Dr. Henson is a named inventor on three patents and has authored 11 scientific articles. He has a Ph.D. in Biochemistry from New Mexico State University and has held research positions at Roswell Park Memorial Institute and the Basel Institute of Immunology.

W.J. (Bill) Adams, C.A., Vice President Finance, Chief Financial Officer, Secretary and Treasurer. Mr. Adams was Chief Financial Officer and Corporate Secretary of Epic Data International Inc. from March 1993 until he joined AnorMED in June, 1997. Prior to March 1993, he held the position of Controller of Epic Data. Before joining Epic Data in January 1992, Mr. Adams was an audit manager with KPMG, and had audit responsibility for a number of high-tech clients. He is a Chartered Accountant and holds a Bachelor of Commerce Degree from the University of British Columbia.

Michael J. Cleare Ph.D., Director. After joining JM in 1966, Dr. Cleare participated in the original research into the anti-cancer properties of platinum compounds and is named co-inventor of carboplatin, a

major anti-cancer drug. Dr. Cleare has held a number of positions within JM culminating in his appointment to the Executive Board of JM in 1995. From 1990-94 he was President, Materials Technology Division-Chemicals. In 1994 and 1995 he was President and Division Director, Materials Technology Division-Chemicals. In 1995 through 1997 he was Managing Director and President, Catalytic Systems Division Worldwide and Biomedical Products. Since 1997, he has been the Managing Director and President of JM's Electronic Materials Division Worldwide and Pharmaceutical Materials Division. Dr. Cleare holds a Ph.D. in Chemistry from London University (U.K.)

Julia Levy, Ph.D., Director. Dr. Levy has been the President, Chief Executive Officer, and Chief Scientific Officer of QLT PhotoTherapeutics Inc.("QLT"), since February, 1996. QLT is a world leader in photodynamic therapy, a new medical field which employs drugs activated by light. From November, 1995 to February 1996, Dr. Levy was Acting President and Chief Executive Officer of QLT. From 1986 to November, 1995, Dr. Levy was a Senior Vice-President or Vice-President of QLT. In addition, Dr. Levy was Acting President and Chief Executive Officer of QLT from May, 1991 to February, 1992. Dr. Levy has had extensive experience working with major pharmaceutical partners to commercialize photodynamic therapy in North America, Europe and Japan. Dr. Levy is a graduate of the University of British Columbia and the University of London, and is a Professor of Microbiology at the University of British Columbia. She is a director of a number of technology companies and the Working Opportunity Fund.

Colin Mallet, Director. Mr. Mallet has been the President and Chief Executive Officer of Synapse Technologies Inc., a biotechnology company in Vancouver, British Columbia, since March, 1998. From January 1996, he has been a director of Nortran Pharmaceuticals Inc., and Micrologix Biotech Inc., both biotechnology companies in Vancouver, British Columbia. Also, from January 1995, he has been a director of Axcan Pharmaceuticals Inc., a Montreal based pharmaceutical company. Mr. Mallet holds a B.A. from Cambridge University and has over 30 years of management experience in the pharmaceutical industry in Asia, Europe and North America.

Michael E. Phillips, Director. Mr. Phillips is a Senior Vice President of Growth Works Capital Ltd. which on January 1, 1999 became the manager of Working Opportunity Fund (EVCC) Ltd. Previous to January 1, 1999 he was a Senior Vice President, Investment of Working Opportunity Fund (EVCC) Ltd. (prior to January 1998, Vice President, Investment). He has 18 years venture capital experience and currently shares responsibility for managing venture capital activities of Working Opportunity Fund (EVCC) Ltd., a British Columbia venture capital firm. Prior to joining the Working Opportunity Fund in April 1993, Mr. Phillips was an investment manager with Vencap Equities Alberta Ltd., a publicly traded Alberta venture fund. He is currently a director of several technology companies.

Forrest K. Sheffy, Ph.D., Director. Dr. Sheffy joined JM in 1983 and is currently the Vice President and General Manager of Pharmaceutical Materials at JM. He received a Ph.D. in Chemistry from Cornell University and did post-doctoral research at Colorado State University.

Willem Wassenaar, M.D., M.B.A., Director. Dr. Wassenaar has over 20 years of experience in the pharmaceutical industry and has held the position of President for several companies including Sterling Drug, Ltd. and Ferring Inc. He is a director of several biotechnology companies. Dr. Wassenaar received an MD Degree from the University of Western Ontario and an M.B.A. from York University in Toronto, Ontario.

Edward J. Wawrzynczak, Ph.D., Director. Dr. Wawrzynczak was head of the Drug Targeting Laboratory at the Institute of Cancer Research in the U.K. until 1992; Since July 1992, he has been an investment executive with Rothschild Asset Management Limited, advisers to Biotechnology Investments Limited, an investment company quoted on the London Stock Exchange. He received a Ph.D. in Biochemistry from Cambridge University (U.K.).

Gary J. Bridger, Ph.D., Director of Research. Dr. Bridger joined JM's biomedical research group in 1990 where he played a leading role in all aspects of chemistry research. Dr. Bridger is a named inventor on nine patents and is the author of more than 15 scientific articles. He received a Ph.D. in Chemistry from the University of Manchester Institute of Science and Technology (U.K.) and did post-doctoral research at Boston College.

Simon P. Fricker, Ph.D., Director of Biology. Dr. Fricker joined JM in 1983 where he gained extensive experience in the pharmacology of metal based drugs. He is a named inventor on two patents and is the author of 25 scientific articles. He holds an M.Sc. in Molecular Enzymology and a Ph.D. in Chemistry and Molecular Sciences from the University of Warwick (U.K.) and has performed post-doctoral research at the Universities of Southampton and Cambridge.

Christen M. Giandomenico, Ph.D., Director of Process Development. Dr. Giandomenico joined JM in 1985 where he was a co-inventor of JM 216, the first orally active platinum anti-cancer drug. Dr. Giandomenico is a named inventor on six patents and is the author of 19 scientific articles. He received a Ph.D. in Chemistry from Columbia University and has held post-doctoral positions at the University of Chicago and the Stanford Research Institute.

Tammy Mullarky, B.A., M.B.A., Director of Business Development. Ms. Mullarky has spent over 12 years in the biotechnology field, initially as a researcher for ZymoGenetics, where she was co-inventor on a high yield yeast expression system for recombinant insulin. After her business training, Ms. Mullarky worked for F. Hoffman-LaRoche in their corporate mergers and acquisitions group. Prior to joining AnorMED, Ms. Mullarky participated in the founding of several Pacific Northwest biotechnology companies. She is a graduate in Biochemistry (B.A.) from Whitman College and holds an M.B.A. from Massachusetts Institute of Technology.

Scientific Advisory Board

The Company has formed a Scientific Advisory Board composed of scientists having professional experience and valuable expertise in various therapeutic or research fields that are of interest to the Company. At the request of management, these scientific advisors review and provide the Company with advice regarding individual research and development projects. Advisors have all executed confidentiality agreements. The Scientific Advisory Board meets at least annually and makes its recommendations directly to management. Members of the Scientific Advisory Board are paid a fee of US$2,500 for each meeting attended plus travel expenses and each member has been awarded options under the Company's incentive stock option plan. The following are brief biographies of the members of this advisory board.

Dr. Kenneth R. Harrap, C.B.E., Ph.D., D.Sc., FRSC., Surrey, U.K. Professor Harrap is a world recognized leader in the development of cancer chemotherapeutics and is the Chairman of AnorMED's Scientific Advisory Board. Until Fall 1997, Dr. Harrap was the Director, CRC Centre for Cancer Therapeutics at the Institute of Cancer Research. Professor Harrap began his career with an appointment at the Chester Beatty Research Institute in 1956 and followed this with positions at the ICR from 1970 to 1997. Professor Harrap is currently active as a consultant to the pharmaceutical industry. Professor Harrap has contributed extensively to the development of anti-metabolite and platinum based anti-cancer drugs. Professor Harrap has published 350 papers and is on the editorial board of 14 cancer journals. In recognition of his scientific achievements, Professor Harrap has received a number of honours including the C.B.E., the Jerry Turner Fellowship of the Cancer Research Campaign (1994), the American Cancer Society Bruce F. Cain Memorial Award (1995), and the Barnett Rosenberg Award (1995). He received a Ph.D. in Chemistry from London University in 1961.

Dr. A. Hilary Calvert, M.Sc., M.D., FRCP, Professor of Clinical Oncology and Director of the Cancer Research Unit, The University of Newcastle-upon-Tyne, U.K. Professor Calvert obtained his medical qualifications (M.B.) from Cambridge University (U.K.) and from University College Hospital Medical School, London, in 1972. His continued studies in the field of cancer chemotherapy culminated in an MD Thesis in 1981 on the clinical applications of anti-folates. Professor Calvert is a world leader in the clinical introduction of new anti-cancer drugs. He played a key role in the introduction of carboplatin into clinical practice. He is on the editorial board of five cancer/pharmacology journals and has published 130 full papers in referred journals. Professor Calvert is the Chairman of the Cancer Research Campaign Phase I/II Committee (Clinical), is a Committee Member of the European Organization for Research and Treatment of Cancer (EORTC) Pharmacokinetics and Molecular Mechanisms Group and an active member of the Early Clinical Studies Group.

Dr. Erik De Clercq, M.D., Ph.D., Rega Institute, Katholieke Universiteit, Leuven, Belgium. Dr. De Clercq is an internationally recognized expert in anti-viral chemotherapy. He received his MD in 1966 and his Ph.D. in 1972, both from the Katholieke Universiteit Leuven in Belgium. After post-doctoral training at Stanford University, first as a Lilly International Fellow and subsequently as a Damon Runyon Cancer Research Fellow, Dr. De Clercq returned to Leuven University Medical School where he became Professor in 1975. He served as Chairman of the Department of Microbiology from 1986 until 1991. In 1986, he also became Chairman of the Directory Board of the Rega Institute. In 1994, Dr. De Clercq was elected a Fellow of the American Association for the Advancement of Science and in 1995 was awarded the Professor P. De Somer Chair for Microbiology of the Katholieke Universiteit Leuven.

Dr. Mitchell Fink, M.D., Chief of Surgery, Beth Israel Deaconess Medical Center, Boston, MA. Dr. Fink has published extensively in the field of critical care medicine (128 peer reviewed publications in refereed journals since 1974). He has served as advisor for several pharmaceutical companies and is currently on the editorial board of five medical journals. Dr. Fink received an MD from Washington University in St. Louis in 1976.

Dr, Robert S. Kerbel, Ph.D., Director, Biological Sciences Research, Sunnybrook Health Science Centre, Toronto, Ontario. Starting with his initial appointment as an Assistant Professor in the Department of Pathology at Queen's University in 1975 through his current position at the Sunnybrook Health Science Centre, Dr. Kerbel has an established reputation as a leader in tumour biology. Areas of particular interest in his laboratory include tumour resistance, mechanisms of metastatic spread and tumour vascularization. Dr. Kerbel received a Ph.D. in Immunology from Queen's University, Kingston, Ontario in 1972 and was a post-Doctoral Fellow at the Chester Beatty Research Institute in London (U.K.) in the field of cancer biology.

EXECUTIVE COMPENSATION

The following table provides a summary of compensation earned during the financial years ended March 31, 1998 and 1997 of the Chief Executive Officer and one other executive officer of AnorMED (together, the "Named Executive Officers").

Summary Compensation Table for 1997 and 1998 Financial Years

Name and Principal Position	Annual Compensation		Long-Term Compensation Awards	All Other Compensation
	Year	Salary	Securities Under Options	
Michael Abrams, Ph.D. President, Chief Executive Officer and Director	1998 1997	$211,008 $169,678	— 350,000	$6,473[(1)] $5,477[(1)]
Geoffrey W. Henson, Ph.D. Executive Vice President and Chief Operating Officer	1998 1997	$188,000 $142,337	— 350,000	$6,591[(1)] $5,575[(1)]

Note:

(1) Dr. Abrams and Dr. Henson each received a settling in allowance as partial consideration for their relocation.

There were no stock options granted to Named Executive Officers during the financial year ended March 31, 1998.

Aggregated Options Exercised During 1998 Financial Year and Financial Year-End Option Values

Name and Principal Position	Securities Acquired on Exercise	Aggregate Value Realized	Unexercised Options at March 31, 1998 Exercisable/Unexercisable	Value of Unexercised in-the-Money Options at March 31, 1998 Exercisable/Unexercisable[(1)]
Michael Abrams, Ph.D. President, Chief Executive Officer and Director	—	—	116,667/233,333	$193,667/387,334
Geoffrey W. Henson, Ph.D. Executive Vice President and Chief Operating Officer	—	—	116,667/233,333	$193,667/387,334

Note:

(1) Assumes a market value of $4.50 per share, being the last issue price of Common Shares. See "Prior Sales".

Employment Contracts

The Compensation Committee of the Company reviews on an annual basis its existing employment agreements with the Named Executive Officers. It is expected that all agreements will be renewed on terms substantially similar to those currently in effect. These agreements provide for the maintenance of life insurance policies on the Named Executive Officers (with the proceeds payable to such beneficiaries as they may designate) and, in the event of termination of employment, for severance payments equal to twelve months' salary plus one month's salary for each complete year of service to a maximum of fifteen months.

Remuneration Of Directors

Options to purchase Common Shares of the Company may be awarded to members of the board at the discretion of the board pursuant to the Company's stock option plan. AnorMED also reimburses directors for expenses they incur on behalf of the Company, including attending meetings of the board. For the year ended March 31, 1998, the directors of AnorMED were not paid any fees for their service on the board other than Mr. Colin Mallet and Dr. Willem Wassenaar who are each paid $10,000 per year. Non-executive directors of the Company were issued a total of 65,000 stock options in the year ended March 31, 1997. See "Executive Compensation — Stock Options and Share Compensation".

Directors and Officers' Insurance

The Company maintains liability insurance for its directors and officers in the aggregate amount of $2.0 million, subject to a $50,000 deductible loss payable by the Company. The current annual premium of $21,000 is paid by the Company.

Key Management Insurance

The Company is the beneficiary under a key management insurance policy of US$3.0 million on the life of Dr. Michael Abrams. The current annual premium for this policy of US$6,860 is paid by the Company.

Incentive Stock Option Plan

The Company currently has an incentive stock option plan (the "Plan") under which outstanding stock options to purchase 1,451,500 Common Shares (all of which are non-transferable) have been granted to executive officers, directors, Scientific Advisory Board members, consultants and employees of the Company. Under the Plan, 2,400,000 Common Shares of the Company are conditionally reserved for issue.

The Plan provides that the board of directors may from time to time grant options to acquire all or part of the shares subject to the Plan to any person who is an employee or director of the Company or any of its

subsidiaries or any other person or company engaged to provide ongoing management, financial and scientific, consulting or like services for the Company or any of its subsidiaries. Following completion of the offering, the exercise price of options granted under the Plan will be determined based upon the market price for the Company's Common Shares. The term of any option granted shall generally be ten years from the date such option is granted except in the case of consultants, any of whose options granted shall not exceed five years from the date of the grant. Except as otherwise provided elsewhere in the Plan, the options shall be cumulatively exercisable in instalments over the option period at a rate to be fixed by the board which will generally be over a 36-month period. The Plan does not contemplate that the Company will provide financial assistance to any optionee in connection with the exercise of options.

Employee and Director Share Purchase Plan

The Company has adopted an employee and director share purchase plan (the "ESPP") under which a total of 400,000 Common Shares have been reserved for issuance to eligible directors and employees who participate in the plan. Under the ESPP, the Company may lend to participating directors and employees up to half of the purchase price of the Common Shares, to a maximum of $50,000 per individual.

Participants may purchase up to 10,000 Common Shares under the ESPP in any three year period. Each purchase must be from treasury and shall be at a 15% discount to the market price of the Common Shares. Common Shares purchased under the ESPP will be pledged as collateral for the corresponding loan from the Company if such a loan is granted and will be placed in trust with Montreal Trust Company of Canada for release upon repayment of such loan. No Common Shares will be issued under the ESPP and no loans will be made thereunder until after the completion of this offering.

Outstanding Options

The following table sets forth certain information concerning outstanding options granted to the executive officers, directors, scientific advisory board members, consultants and employees of the Company as of January 31, 1999.

	Total Number of Optioned Common Shares	Exercise Price (per Common Share)/ Market Value of Common Shares on Date of Grant[1]	Expiration Date
Executive Officers (three)	700,000	US$2.00/US$2.00	January 9, 2007
	100,000	US$2.00/US$2.00	June 9, 2007
	5,000	Cdn$4.50/Cdn$4.50	June 5, 2008
Directors (four)	65,000	US$2.00/US$2.00	November 4, 2006
Scientific Advisory Board (five):			
Dr. Kenneth R. Harrap	10,000	US$2.00/US$2.00	January 9, 2002
Dr. Erik De Clercq	10,000	US$2.00/US$2.00	January 9, 2002
Dr. A. Hilary Calvert	10,000	US$2.00/US$2.00	January 9, 2002
Dr. Mitchell Fink	10,000	US$2.00/US$2.00	January 9, 2002
Dr. Robert S. Kerbel	10,000	US$2.00/US$2.00	February 11, 2002
Consultants (two):			
Ian D. Robertson.....	6,000	US$2.00/US$2.00	January 9, 2002
Gary Schweikhardt	20,000	US$2.00/US$2.00	January 9, 2007
Employees (30)	5,000	US$2.00/US$2.00	January 9, 2002
	288,000	US$2.00/US$2.00	January 9, 2007 to July 1, 2007
	80,500	US$3.25/US$3.25	July 21, 2007 to February 4, 2008
	73,250	Cdn$4.50/Cdn$4.50	March 2, 2008 to June 5, 2008
	58,750	IPO[2]/Cdn$4.50	July 6, 2005 to January 5, 2009
Total	1,451,500		

Note:

(1) Exercise price was determined based upon the last price at which Common Shares were issued before the grant of the option. Market value was determined based upon the last price at which the Common Shares were issued before the date of the grant. See "Prior Sales".

(2) Exercise price will be the price per Common Share of this Offering.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director, senior officer or associate of a director or senior officer nor, to the best of the knowledge of the directors and senior officers of AnorMED, any person or company who beneficially owns, directly or indirectly, voting securities of AnorMED carrying more than 10% of the voting rights attached to any class of voting securities of AnorMED outstanding at the date hereof, or any associate or affiliate thereof, has any interest in any material transaction to which AnorMED is a party, except for JM, which transferred assets to the Company under the Asset Transfer Agreement dated June 28, 1996 and has entered into certain transactions with the Company as described in Note 6 to the Company's Financial Statements. See "The Company" and "Financial Statements".

FOUNDER

Dr. Michael Abrams initiated and led the discussions with JM which ultimately led to the sale by JM of the Biomedical Research Group to the Company and, thereafter, took the initiative in arranging for the organization and financing of the Company. Accordingly, Dr. Abrams may be said to be the promoter of the Company within the meaning of the securities legislation of certain provinces of Canada. In addition to the remuneration he has received as an officer and employee of the Company, Dr. Abrams has acquired 150,000 Common Shares, and has been granted 350,000 options to acquire Common Shares, of the Company.

MATERIAL CONTRACTS

Except for the contracts entered into in the ordinary course of business, the only agreements or contracts which the Company has entered into during the past two years which may reasonably be regarded as being currently material are as follows:

(1) the Underwriting Agreement referred to under "Plan of Distribution";

(2) the Escrow Agreement referred to under "Escrow and Pooling Arrangements";

(3) the Pooling Agreement referred to under "Escrow and Pooling Arrangements";

(4) the Transfer Agency and Registrar Agreement to be dated as of the date of closing of this offering between the Company and Montreal Trust Company of Canada; and

(5) the Licence Agreement dated as of March 31, 1998 between Zeneca Limited and AnorMED referred to under "Business of AnorMED — Corporate Partnerships".

Copies of the foregoing agreements may be inspected during ordinary business hours at the registered office of the Company in Vancouver, British Columbia and the principal office in Toronto of Montreal Trust Company of Canada, during the course of distribution of the Common Shares to the public and for a period of 30 days thereafter. Certain passages of the last agreement listed above have been deleted from the copy available for public inspection for reasons of confidentiality.

PURCHASERS' STATUTORY RIGHTS

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, amongst others, the following: the Company is at an early stage of development, has to date not earned revenues from the sale of products, will require substantial additional financing, currently does not have assurance that it will continue to have product liability insurance available on acceptable terms and is reliant on certain key personnel; the Company's success will depend, in part, on its ability to obtain patents and protect its proprietary rights and its ability to attract and maintain relationships with collaborative partners, licensees and other research partners; the Company's business is subject to significant government regulation, including laws regarding the handling of hazardous materials, and its ability to commercialize its products may depend, in part, on the extent to which the cost of such products is reimbursed by government authorities, private health insurers or other organizations; the biotechnology and pharmaceutical industries are subject to rapid and substantial technological change; and technological competition from pharmaceutical companies, biotechnology companies and research centres is intense and is expected to increase. See "Risk Factors".

LEGAL MATTERS

Certain legal matters relating to the issue and sale of the Common Shares will be passed upon for the Company by Russell & DuMoulin and for the Underwriters by Farris, Vaughan, Wills & Murphy. As at March 31, 1998, partners of Russell & DuMoulin and Farris, Vaughan, Wills & Murphy as a group, own less than 1% of the outstanding Common Shares of the Company.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

The auditors of the Company are KPMG LLP, 777 Dunsmuir Street, Vancouver, British Columbia, Canada, V7Y 1K3.

The registrar and transfer agent for the Common Shares is Montreal Trust Company of Canada at its principal offices in Vancouver and Toronto.

AUDITORS' REPORT

To the Directors of AnorMED Inc.:

We have audited the balance sheet of AnorMED Inc. as at March 31, 1998 and the statements of operations and deficit and changes in financial position for the year then ended. 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 audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

(Signed) KPMG LLP
Chartered Accountants
Vancouver, Canada
May 5, 1998
except as to Note 13
which is as of February 25, 1999

AUDITORS' REPORT

To the Directors of AnorMED Inc.:

We have audited the balance sheet of AnorMED Inc. as at March 31, 1997 and the statements of operations and deficit and changes in financial position for the initial year then ended. 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 audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 1997 and the results of its operations and the changes in its financial position for the initial year then ended in accordance with generally accepted accounting principles.

(Signed) DELOITTE & TOUCHE
Chartered Accountants
Vancouver, Canada
May 22, 1997

REVIEW ENGAGEMENT REPORT

To the Directors of AnorMED Inc.:

We have reviewed the balance sheet of AnorMED Inc. as at December 31, 1998 and the statements of operations and deficit and changes in financial position for the nine months ended December 31, 1998 and 1997. Our reviews were made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the Company.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our reviews, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with generally accepted accounting principles.

(Signed) KPMG LLP
Chartered Accountants
Vancouver, Canada
February 25, 1999

AnorMED Inc.

BALANCE SHEETS

	As at December 31, 1998	As at March 31, 1998	As at March 31, 1997
	(unaudited)		
ASSETS			
Current assets			
Cash and short term investments	$ 27,752,852	$ 22,543,048	$ 16,504,422
Accounts receivable	281,687	136,590	175,629
Prepaid expenses	129,336	169,008	40,980
Current portion of security deposit	125,000	125,000	—
	28,288,875	22,973,646	16,721,031
Deferred finance costs	587,350	—	—
Security deposit	475,000	475,000	600,000
Capital assets (note 2)	1,939,253	1,101,165	827,902
Intellectual property and patents (note 3)	4,763,491	6,308,226	8,394,839
	$ 36,053,969	$ 30,858,037	$ 26,543,772
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	$ 1,157,162	$ 1,093,080	$ 635,044
Current portion of capital lease obligations (note 4)	149,656	44,016	27,234
	1,306,818	1,137,096	662,278
Capital lease obligations (note 4)	693,686	162,274	113,492
	2,000,504	1,299,370	775,770
Shareholders' equity			
Share capital (note 5)	44,170,405	43,389,139	33,206,975
Deficit	(10,116,940)	(13,830,472)	(7,438,973)
	34,053,465	29,558,667	25,768,002
Commitments (note 10)			
Subsequent events (note 13)			
	$ 36,053,969	$ 30,858,037	$ 26,543,772

On behalf of the Board:

(Signed) COLIN MALLET
Director

(Signed) WILLEM WASSENAAR
Director

See accompanying notes to financial statements

AnorMED Inc.

STATEMENTS OF OPERATIONS AND DEFICIT

	Nine month period ended December 31		Years ended March 31	
	1998	1997	1998	1997
	(unaudited)			
Revenue				
Contract research	$ 865,438	$ 287,564	$ 350,933	$ 440,205
Licensing revenue	7,465,810	—	—	—
Interest income	1,126,602	460,755	736,147	668,985
Foreign exchange gain	677,546	—	—	—
	10,135,396	748,319	1,087,080	1,109,190
Research and development expenses				
Amortization	1,878,902	1,805,523	2,425,322	1,770,032
Consulting	25,007	18,630	21,425	86,423
Contract research	799,038	993,288	1,041,852	198,431
Lab operations	630,990	544,441	690,733	434,882
Patents	115,996	136,908	262,296	550,351
Personnel costs	1,320,577	728,301	1,065,461	654,135
Relocation of business	—	41,740	91,161	360,290
Travel and conference	153,903	76,855	96,586	17,183
Write-down of intellectual property (note 3)	—	—	—	2,984,550
	4,924,413	4,345,686	5,694,836	7,056,277
General and administrative expenses				
Accounting and legal	70,773	79,230	213,951	108,157
Amortization	110,314	79,992	129,859	3,206
Consulting	126,493	157,715	197,949	230,393
Office operations	317,848	286,108	336,718	470,294
Personnel costs	769,146	601,148	836,933	457,160
Relocation of business	—	—	—	89,883
Travel and conference	102,877	43,020	68,333	132,793
	1,497,451	1,247,213	1,783,743	1,491,886
Net earnings (loss)	3,713,532	(4,844,580)	(6,391,499)	(7,438,973)
Deficit, beginning of period	(13,830,472)	(7,438,973)	(7,438,973)	—
Deficit, end of period	$(10,116,940)	$(12,283,553)	$(13,830,472)	$(7,438,973)
Net earnings (loss) per common share	$ 0.24	$ (0.37)	$ (0.47)	$ (0.75)
Fully diluted earnings per common share	$ 0.22	$ —	$ —	$ —

See accompanying notes to financial statements

AnorMED Inc.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Nine month period ended December 31		Years ended March 31	
	1998	1997	1998	1997
	(unaudited)			
Cash provided by (used in):				
Operations				
Net earnings (loss)	$ 3,713,532	$(4,844,580)	$(6,391,499)	$(7,438,973)
Items not involving cash				
Amortization	1,989,216	1,885,515	2,555,181	1,773,238
Write-down of intellectual property	—	—	—	2,984,550
Changes in non-cash operating working capital	(41,343)	454,741	369,047	621,611
	5,661,405	(2,504,324)	(3,467,271)	(2,059,574)
Financing				
Increase in capital lease obligations	637,052	75,982	65,564	140,726
Issue of shares	781,266	10,182,164	10,182,164	33,206,976
Deferred finance costs	(587,350)	—	—	—
Redemption of shares	—	—	—	(1)
	830,968	10,258,146	10,247,728	33,347,701
Investments				
Deposit advanced	—	—	—	(600,000)
Purchase of capital assets	(1,071,174)	(477,895)	(512,395)	(546,705)
Purchase of patent rights	(211,395)	(181,524)	(229,436)	—
Acquisition of business (note 6)	—	—	—	(13,637,000)
	(1,282,569)	(659,420)	(741,831)	(14,783,705)
Increase in cash and short term investments	5,209,804	7,094,402	6,038,626	16,504,422
Cash and short term investments, beginning of period	22,543,048	16,504,422	16,504,422	—
Cash and short term investments, end of period	$27,752,852	$23,598,824	$22,543,048	$16,504,422

See accompanying notes to financial statements

AnorMED INC.

NOTES TO FINANCIAL STATEMENTS

Information as at December 31, 1998 and for the nine months ended December 31, 1998 and 1997 is unaudited.

The Company was incorporated on January 5, 1996 under the Canada Business Corporations Act and commenced operations on April 1, 1996. The Company is primarily engaged in the discovery and development of innovative pharmaceutical products based on metal and metal binding compounds.

1. Significant accounting policies

(a) 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 the disclosure of contingent assets and liabilities at the date of the financial statements and the recognized amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the valuation and assessment of recoverability of intellectual property and patents and the determination of contingent liabilities. The reported amounts and note disclosure are determined using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned course of actions. Actual results, however, may differ from the estimates used.

(b) Cash and short term investments

Cash and short term investments are valued at cost, including accrued interest, which approximates market value. Short term investments consist of bankers acceptances and low risk commercial paper with varying maturities of less than 12 months.

(c) Capital assets

Capital assets are stated at cost. Amortization is provided using the following methods and annual rates:

Asset	Method	Rate
Laboratory equipment	declining balance	20%
Office equipment	declining balance	20%
Computer equipment	declining balance	30%
Computer software	straight-line	3 years
Leasehold improvements	straight-line	5 years

Capital assets acquired or disposed of during the year are amortized proportionately for the period they are in use.

(d) Intellectual property

Intellectual property is recorded at cost. Amortization is calculated on a straight-line basis over a period of four years. The Company's management evaluates the recoverability of intellectual property on an annual basis by assessing whether estimated future net cash flows exceed the carrying value. If intellectual property is not considered to be fully recoverable, a provision is recognized for the unrecoverable amount.

(e) Patents

Patents are recorded at cost. Amortization is calculated on a straight-line basis over the remaining life of the patents at the time of acquisition. The Company's management evaluates the recoverability of patents on an annual basis, based on the expected utilization of the underlying technology and by assessing whether estimated future net cash flows exceed the carrying value. If patents are not considered to be fully recoverable, a provision is recognized for the unrecoverable amount.

(f) Revenue recognition

Revenue from the Company's collaborative agreements including contract research payments and milestone payments are recognized on an accrual basis in accordance with the contractual agreements with third parties and is net of amounts payable to third parties.

Licensing revenue is recognized at the date the license is granted unless there are specific events which must be completed under the terms of the licensing agreement in which case a portion of the revenue is recognized upon completion of each specific event.

(g) Research and development costs

Research costs, other than capital expenditures, are charged to operations as incurred. Development costs are charged to operations in the period of the expenditure unless a development project meets the criteria under generally accepted accounting principles for deferral and amortization. At December 31, 1998 (unaudited), March 31, 1998 and 1997 no development costs have been deferred.

(h) Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Revenue and expense items are translated at the exchange rate in effect at the date of the transaction. Resulting exchange gains or losses are included in operations.

(i) Fair value of financial instruments

For certain of the Company's financial instruments, including cash, short term investments, accounts receivable, security deposit and accounts payable and accrued liabilities, the carrying amounts approximate fair value due to their immediate or short-term to maturity.

The fair values of obligations under capital leases, calculated at the present value of future contractual payments of principal and interest, discounted at the current market rates of interest available to the Company for debt instruments with similar terms and maturity, approximate their carrying values.

(j) Net earnings (loss) per common share

Net earnings (loss) per common share is computed using the weighted average number of common shares outstanding during the period. Fully-diluted earnings per common share is computed assuming all common shares related to the exercise of all warrants and options that have a dilutive effect have been issued at the later of the beginning of the period or the date of issuance. Fully-diluted loss per common share has not been disclosed where the effect of common shares issuable upon the exercise of options or warrants would be anti-dilutive.

2. Capital assets

	December 31, 1998		
	Cost	Accumulated amortization	Net book value
		(unaudited)	
Laboratory equipment	$1,145,723	$138,996	$1,006,727
Office equipment	263,880	61,976	201,904
Computer equipment	244,428	76,088	168,340
Computer software	40,011	12,698	27,313
Leasehold improvements	710,987	176,018	534,969
	$2,405,029	$465,776	$1,939,253

	March 31, 1998		
	Cost	Accumulated amortization	Net book value
Laboratory equipment	$ 381,424	$ 70,376	$ 311,048
Office equipment	178,457	36,440	142,017
Computer equipment	173,783	39,719	134,064
Computer software	26,793	6,755	20,038
Leasehold improvements	594,269	100,271	493,998
	$1,354,726	$253,561	$1,101,165

	March 31, 1997		
	Cost	Accumulated amortization	Net book value
Laboratory equipment	$ 257,547	$ 11,223	$ 246,324
Office equipment	115,314	2,741	112,573
Computer equipment	101,104	465	100,639
Computer software	16,840	—	16,840
Leasehold improvements	351,526	—	351,526
	$ 842,331	$ 14,429	$ 827,902

Equipment held under capital leases at December 31, 1998 includes office equipment with a cost of $145,949 (unaudited) (March 31, 1998 — $107,440, March 31, 1997 — $49,862), computer equipment of $110,106 (unaudited) (March 31, 1998 — $114,658, March 31, 1997 — $75,870) and computer software of $18,022 (unaudited) (March 31, 1998 — $18,297, March 31, 1997 — $14,994). Amortization of equipment held under capital leases amounted to $76,441 (unaudited) (March 31, 1998 — $13,654, March 31, 1997 — $Nil).

3. Intellectual property and patents

Intellectual property and patents consist of:

	December 31 1998	March 31 1998	March 31 1997
	(unaudited)		
Intellectual property, at cost (note 6)	$11,938,198	$11,938,198	$11,938,198
Less:			
Accumulated amortization	(5,596,023)	(3,917,217)	(1,678,809)
Write-down	(2,984,550)	(2,984,550)	(2,984,550)
	3,357,625	5,036,431	7,274,839
Patents	1,640,830	1,429,435	1,200,000
Less:			
Accumulated amortization	(234,964)	(157,640)	(80,000)
	1,405,866	1,271,795	1,120,000
	$ 4,763,491	$ 6,308,226	$ 8,394,839

During the periods ended December 31, 1998 and 1997 and the years ended March 31, 1998 and 1997 the Company assessed the recoverability of the carrying value of intellectual property on the basis of expected future net cash flows. Based on this assessment, the Company wrote down intellectual property during the year ended March 31, 1997 by $2,984,550.

4. Capital lease obligations

Minimum capital lease payments for fiscal years subsequent to March 31, 1998 are:

1999	$ 60,506
2000	60,506
2001	52,194
2002	43,181
2003	30,280
Thereafter	856
	247,523
Less: Amount representing interest at rates between 8.25% and 9.03% per annum	41,233
	206,290
Less: Current portion of capital lease obligations	44,016
	$ 162,274

Minimum capital lease payments for calendar years subsequent to December 31, 1998 are:

	(unaudited)
1999	$ 212,419
2000	208,684
2001	196,253
2002	189,640
2003	160,604
Thereafter	63,944
	1,031,544
Less: Amount representing interest at rates between 7.98% and 9.03% per annum	188,202
	843,342
Less: Current portion of capital lease obligations	149,656
	$ 693,686

5. Share capital

(a) Authorized

Unlimited common shares without par value

(b) Issued and outstanding

	Number of Shares	Amount
Issued on incorporation	1,000	$ 1
Issued for cash	7,564,625	19,829,260
Issued on acquisition of business (note 6)	5,000,000	13,637,000
Redeemed for cash	(11,500)	(1)
Share issue costs	—	(259,285)
Outstanding, March 31, 1997	12,554,125	33,206,975
Issued for cash	113,500	310,991
Issued for cash from private placements	1,790,059	8,055,265
Acquisition of shares	(1,235,112)	(5,558,004)
Resale of shares	1,235,112	5,558,004
Issued pursuant to exercise of warrants	718,750	2,055,546
Share issue costs	—	(239,638)
Outstanding, March 31, 1998	15,176,434	43,389,139
Issued for cash	12,000	54,000
Issued pursuant to exercise of warrants	187,500	727,266
Outstanding, December 31, 1998 (unaudited)	15,375,934	$44,170,405

(c) Shareholders' Agreement

Under the terms of the Shareholders' Agreement dated June 28, 1996, the shareholders of 7,090,625 common shares have the right to require the Company to redeem their shares if the Company does not undertake an initial public offering for gross proceeds of at least US $10,000,000 by June 30, 2001. The shareholders' request for redemption cannot reduce the working capital of the Company below $5,000,000. Within six months of receipt of this request and the determination of the valuation price, being the greater of the fair market value of shares, five times earnings as specified in the agreement, and the most recent price per share paid by an arm's length purchaser, the Company must redeem the shares for cash or issue debentures bearing interest at bank prime rate plus 1%. The terms of the debentures would require repayment of 50% of the principal in equal quarterly instalments including interest, commencing 90 days from the date of issuance, and the balance of principal and interest repaid within two years of the date of the first repayment.

(d) Private placement

During the year ended March 31, 1998, the Company completed two private placements issuing 1,790,059 units for proceeds of $8,055,265. Each unit consisted of one common share and one price protection warrant. Each price protection warrant entitles the holder to receive additional shares of the Company without payment of further consideration if the Company sells common shares for less than $4.50 per share prior to or at an initial public offering by the Company. As at December 31, 1998, the Company has 1,790,059 (unaudited) (March 31, 1998 — 1,790,059) price protection warrants outstanding. In addition, during fiscal 1998 the Company repurchased 1,235,112 Common shares from existing shareholders and concurrently closed a private placement of 1,235,112 Common shares, each at a price of $4.50 per share.

(e) Share purchase warrants

At December 31, 1998, the Company has 7,230,513 (unaudited) share purchase warrants outstanding, excluding price protection warrants referred to in note 5(d) (March 31, 1998 — 7,980,513, March 31, 1997 — 12,090,625). Each four warrants entitles the holder to purchase one common share at the following exercise prices:

	US$
Prior to December 31, 1999	3.00
2000	3.50
2001	4.00

The warrants expire on June 30, 2001. During the period ended December 31, 1998, 750,000 (unaudited) warrants were exercised to purchase 187,500 common shares at US $2.50 per share. (Year ended March 31, 1998 — 2,875,000 warrants exercised to purchase 718,750 common shares at US $2.00 per share, and 1,235,112 were cancelled.)

(f) Employee stock option plan

The Company offers an employee stock option plan that provides for the granting of options to directors, officers, employees and consultants.

As of December 31, 1998, the Company has granted options to purchase 1,457,500 (March 31, 1998 — 1,320,500, March 31, 1997 — 1,041,000) shares of the Company's stock to various executive officers and directors, employees, consultants and scientific advisory board members, exercisable at prices ranging from US $2.00 to the greater of US $3.25 per share or the price per share of an initial public offering of the Company's common shares. The options expire between January 9, 2002 and January 5, 2009.

The Company has a vesting program for its stock option plan. All of the shares available for issuance under the stock option plan are subject to vesting over a three year period. The number of stock options that have vested and are exercisable at December 31, 1998 is 758,834 (unaudited) (March 31, 1998 — 347,000, March 31, 1997 — nil).

(g) Common share issuances subsequent to December 31, 1998 (unaudited)

Subsequent to December 31, 1998, the Company issued 2,000 common shares to an employee at an issue price of US $2.00 per share upon the exercise of stock options for gross proceeds of $6,172.

6. Acquisition of business

On June 28, 1996 the Company acquired the assets and operations of a biomedical research division from Johnson Matthey Inc., a non-related party at the time, for $13,637,000. The consideration paid was comprised of 5,000,000 common shares. Concurrent to the closing of this acquisition, the Company issued common shares to parties not related to Johnson Matthey Inc. for cash.

The acquisition has been accounted for using the purchase method with effect from June 28, 1996 and, accordingly, the cost has been allocated to the identifiable assets acquired based on fair values.

The net assets acquired are as follows:

Current assets	$ 203,176
Capital assets	295,626
Patents	1,200,000
Intellectual property	11,938,198
	$13,637,000

7. Income taxes

The Company has approximately $1,015,000 of research and development expenditures which can be carried forward indefinitely, unclaimed investment tax credits of approximately $330,000 expiring between 2007 and 2008, and non-capital losses of approximately $5,600,000 expiring between 2004 and 2005 all of which may be used to reduce future Canadian income taxes otherwise payable. In addition, the Company has excess unamortized capital cost of its capital assets and intellectual property and patents over the net book value of those assets other than amounts not yet taken as deductions for income tax purposes aggregating approximately $4,180,000.

The potential tax benefits that may arise from the utilization of these amounts have not been recognized in these financial statements.

For the period ended December 31, 1998, the Company applied non-capital losses of approximately $3,700,000 (unaudited) to reduce income for accounting purposes to $nil.

8. Related party transactions

During the reporting periods the Company has entered into certain transactions with Johnson Matthey Inc., a shareholder, and Johnson Matthey PLC, the parent company of Johnson Matthey Inc. The expenses represent payments for patent costs and certain operational costs (1997 — represents reimbursement of costs incurred for interim operations conducted at Johnson Matthey Inc. premises and patent costs). The transactions are as follows:

	December 31	March 31	
	1998	1998	1997
	(unaudited)		
Contract research revenue	$ —	$ —	$ 170,525
Research and development, and general and administrative expenses	$46,155	$538,919	$2,018,184

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Accounts receivable include $nil (unaudited) (March 31, 1998 — $45,254, March 31, 1997 — $nil) receivable from these related parties. Accounts payable include $23,998 (unaudited) (March 31, 1998 — $285,856, March 31, 1997 — $195,138) payable to these related parties.

9. Collaborative agreements

(a) DuPont Pharmaceutical Company ("DuPont")

During fiscal 1997, the Company entered into a licensing agreement with DuPont, which granted DuPont the exclusive worldwide license to AnorMED's diagnostic radiolabelled imaging technology for use in cancer applications. Under the terms of the agreement, DuPont will fund a portion of the Company's research expenditures in diagnostic imaging technology, make milestone payments for each product as it proceeds through the regulatory process and pay royalties on net sales.

In addition, DuPont has a sub-license from Ortho Pharmaceutical Corporation ("Ortho"), granting DuPont the exclusive worldwide license rights to the non-cancer applications of certain of the Company's diagnostic imaging technology. Under the terms of the agreement, DuPont is responsible for the clinical development, manufacturing and marketing of the products, and will pay the Company royalties on net sales of agents in nononcology applications through Ortho.

(b) Shire Pharmaceuticals Group PLC ("Shire")

The Company has a licensing agreement with Shire that grants to Shire the exclusive worldwide license to the Company's patent on rare-earth antihyperphosphatemia agents. Under the terms of the agreement, Shire is responsible for funding further development expenditures and will pay the Company royalties on the net sales value of such agents' sales made by Shire worldwide.

(c) Other

The Company has established collaborative agreements with certain academic and corporate laboratories that provide resources and expertise which compliment the Company's research and development program. Under these agreements, the Company is obliged to pay royalties at various rates and based on various factors, on net sales to the extent a product incorporates patented or patentable technology developed at these laboratories. As of December 31, 1998 (unaudited), March 31, 1998 and 1997 no such royalties were payable under these contracts. Total committed expenditures under these contracts is approximately $980,000 at December 31, 1998 (unaudited), ($600,000 at March 31, 1998).

10. Commitments

The Company leases its premises under an operating lease which expires on January 31, 2007. Future minimum lease payments for the years subsequent to December 31, 1998 are as follows:

	Fiscal years ending March 31,	Calendar years ending December 31,
		(unaudited)
1999	$ 212,530	$ 361,575
2000	212,530	362,963
2001	212,530	309,901
2002	215,206	322,188
2003	228,570	323,305
Thereafter	876,184	1,254,406
	$1,957,550	$2,934,338

The Company has provided a security deposit of $600,000 under the terms of an operating lease agreement. These funds are held in trust and will be released to the Company as follows:

February 1, 1999	$125,000
2001	125,000
2003	100,000
2005	150,000
2007	100,000
	$600,000

11. Comparative figures

Certain of the prior year's figures have been reclassified to conform with the current period's presentation.

12. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

13. Subsequent events

(a) Licensing agreement

Subsequent to March 31, 1998, the Company entered into a licensing agreement with an effective date of March 31, 1998 with Zeneca Limited ("Zeneca"), for the worldwide development and commercialization of ZD0473, a third generation platinum compound developed by the Company. The Company has agreed to transfer to Zeneca the right to use ZD0473 and the related technology. Under the terms of the agreement, the Company will earn initial licensing revenue of US $6,000,000 in fiscal 1999 and various milestone payments thereafter totalling US $27,000,000 and royalties based on the net sales. The Company is committed to paying a 15% royalty to the Institute of Cancer Research on all licensing and milestone payments and royalties received. Zeneca will assume responsibility for all costs for the development of ZD0473. The Company will supply Zeneca with ZD0473 for clinical trials.

(b) Common share offering

On February 25, 1999, the Company entered into an underwriting agreement for the purchase and sale of 5,000,000 common shares at a price of $6.10 per share. The proceeds of this offering to the Company will be $27,547,500 (net of the underwriting fee of $1,982,500 and estimated expenses of $970,000). The Company has also granted the underwriters an option exercisable for 30 days following the date of the closing of the offering to purchase up to 750,000 additional common shares at the same price per share. On the closing of the offering, all outstanding price protection warrants (note 5(d)) will automatically expire. In addition, the redemption rights under the Shareholders' Agreement (note 5(c)) will terminate.

CERTIFICATE OF THE COMPANY

DATED: February 25, 1999

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the Securities Act (British Columbia), by Part 8 of the Securities Act (Alberta), by Part XI of the Securities Act, 1988 (Saskatchewan), by Part VII of The Securities Act (Manitoba), by Part XV of the Securities Act (Ontario), by Part II of the Securities Act (Prince Edward Island), by the Securities Act (Nova Scotia), by section 13 of the Securities Act (New Brunswick), by The Securities Act, 1990 (Newfoundland) and by the respective regulations thereunder. This prospectus, as required by the Securities Act (Québec) and the regulations thereunder, does not contain any misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

(Signed) MICHAEL J. ABRAMS
President and
Chief Executive Officer

(Signed) WILLIAM J. ADAMS
Vice President, Finance and
Chief Financial Officer

On Behalf of the Board of Directors

(Signed) DAVID SCOTT
Director

(Signed) MICHAEL E. PHILLIPS
Director

Promoter

(Signed) MICHAEL J. ABRAMS
Promoter

CERTIFICATE OF THE UNDERWRITERS

DATED: February 25, 1999

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the Securities Act (British Columbia), by Part 8 of the Securities Act (Alberta), by Part XI of the Securities Act, 1988 (Saskatchewan), by Part VII of The Securities Act (Manitoba), by Part XV of the Securities Act (Ontario), by Part II of the Securities Act (Prince Edward Island), by the Securities Act (Nova Scotia), by section 13 of the Securities Act (New Brunswick), by The Securities Act, 1990 (Newfoundland) and by the respective regulations thereunder. To our knowledge, this prospectus, as required by the Securities Act (Québec) and the regulations thereunder, does not contain any misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

NESBITT BURNS INC.

By: (Signed) GRAEME N. FALKOWSKY

CIBC WOOD GUNDY SECURITIES INC.

By: (Signed) CATHY R. STEINER

RBC DOMINION SECURITIES INC.

By: (Signed) JILL D. LEVERSAGE

GOEPEL MCDERMID INC.

By: (Signed) PATRICK J. WOLFE

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

NESBITT BURNS INC.: a wholly-owned subsidiary of The Nesbitt Burns Corporation Limited, a majority-owned subsidiary of a Canadian chartered bank;

CIBC WOOD GUNDY SECURITIES INC.: a wholly-owned subsidiary of a Canadian chartered bank;

RBC DOMINION SECURITIES INC.: a wholly-owned subsidiary of RBC Dominion Securities Limited, a majority-owned subsidiary of a Canadian chartered bank; and

GOEPEL MCDERMID INC.: owned by K.A. Shields, D.E. Roberts, R.E.T. Goepel, K.N. Aune, N. Dargan, G.M. Medland, I.S. Brown, G.L. Goad and M. Hagerman.

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