THIS IS A PRELIMINARY PROSPECTUS RELATING TO THESE SECURITIES, A COPY OF WHICH HAS BEEN FILED WITH THE BRITISH COLUMBIA SECURITIES COMMISSION, THE MANITOBA SECURITIES COMMISSION, ONTARIO SECURITIES COMMISSION, THE COMMISSION DES VALEURS MOBILIERES DU QUEBEC AND THE NEW BRUNSWICK SECURITIES COMMISSION BUT WHICH HAS NOT YET BECOME FINAL FOR THE PURPOSE OF A DISTRIBUTION TO THE PUBLIC. INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. THESE SECURITIES MAY NOT BE SOLD TO, NOR MAY OFFERS BE ACCEPTED FROM, RESIDENTS OF SUCH PROVINCES PRIOR TO THE TIME A RECEIPT FOR THE FINAL PROSPECTUS IS OBTAINED FROM THE APPROPRIATE SECURITIES COMMISSION OR REGULATORY AUTHORITY.

Preliminary Prospectus dated February 22, 2000

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

New Issue February 22, 2000

AnorMED

1,500,000 Common Shares
issuable upon the exercise of Special Warrants

This prospectus qualifies the distribution of 1,500,000 common shares (the "Common Shares") of AnorMED Inc. (the “Company” or “AnorMED”) which will be issued upon the exercise or deemed exercise of 1,500,000 previously issued special warrants (the "Special Warrants") of the Company. Each Special Warrant entitles the holder thereof to receive, at no additional cost, one Common Share in the capital of the Company, subject to adjustment in certain circumstances. See "Private Placement and Plan of Distribution".

The Special Warrants were issued on a private placement basis pursuant to prospectus exemptions under the applicable securities legislation, and pursuant to an underwriting agreement among BMO Nesbitt Burns Inc., CIBC World Markets Inc. and RBC Dominion Securities Inc. (collectively, the “Underwriters”) and the Company dated as of February 8, 2000, and are governed by a special warrant indenture (the "Special Warrant Indenture") made as of February 11, 2000 (the "Private Placement Closing Date") between the Company and Montreal Trust Company of Canada (the "Trustee"), as trustee.

The Special Warrants may be exercised by the holders thereof at any time on or before 4:30 p.m. (Vancouver time) on the day (the "Expiry Date") which is the earlier of: (a) the sixth business day after the day (the "Clearance Date") on which a receipt is issued for this prospectus by the last of the securities commission or similar regulatory authority (the "Securities Commissions") to do so in each of the Provinces of British Columbia, Manitoba, Ontario, Quebec and New Brunswick; and (b) the first business day following the date that is the first anniversary of the Private Placement Closing Date. If the Clearance Date has not occurred on or before the date (the “Qualification Date”) which is 90 days from the Private Placement Closing Date, each holder of a Special Warrant has the right to retract all or any part of such holder’s Special Warrants and to receive payment of the purchase price relating to the Special Warrants so retracted, together with the pro rata accrued interest earned thereon in the hands of the Trustee, provided that within five business days of the Qualification Date (not including the Qualification Date) the holder of Special Warrants has surrendered all or part of his or her Special Warrants for retraction to the Trustee and delivers therewith a retraction notice indicating the holder’s election to retract all or any part of his or her Special Warrants. Any Special Warrant not retracted or exercised will be deemed, immediately prior to the Expiry Date, to be exercised without any further action on the part of the holder. See "Private Placement and Plan of Distribution".

The offering price of $14.00 per Special Warrant was determined by negotiation between the Company and the Underwriters.

Price: $14.00 per Special Warrant

Special Warrants	Price to Investor	Underwriters' Fee[1]	Net Proceeds to the Company[1][2]
Per Special Warrant	$14.00	$0.91	$13.09
Total	$21,000,000	$1,365,000	$19,635,000

Notes:

(1) No additional fee will be payable to the Underwriters in connection with the issuance of the Common Shares upon the exercise of the Special Warrants.

(2) Before deducting expenses of this offering, estimated to be $290,000, which will be paid from the proceeds from the sale of the Special Warrants.

The aggregate gross proceeds from the issue and sale of the Special Warrants, less the Underwriters' fee paid to the Underwriters in respect of the issue and sale of the Special Warrants, are being held in trust by the Trustee pursuant to the Special Warrant Indenture. Such escrow proceeds will be released from trust upon the exercise or retraction of the Special Warrants in accordance with the terms of the Special Warrant Indenture. See "Private Placement and Plan of Distribution".

The outstanding common shares of AnorMED are listed and posted for trading on The Toronto Stock Exchange (the "Exchange"). On January 20, 2000, the day prior to the pricing of the Special Warrants, the closing price of the Common Shares on the Exchange was $15.00. On February 10, 2000, the day prior to the issuance of the Special Warrants, the closing price of the Common Shares on the Exchange was $17.50.

After giving effect to the exercise of the Special Warrants, the price paid for each Common Share through the exercise of a Special Warrant exceeds the net tangible book value attributable to each common share of the Company as at December 31, 1999 by $10.81, representing a dilution factor of 77.21%. See "Dilution".

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".

There is currently no market for the Special Warrants and none is expected to develop. The Special Warrants will not be listed on any stock exchange.

Definitive certificates evidencing the Common Shares will be available for delivery upon the exercise of the Special Warrants. Certain legal matters relating to the Common Shares will be passed upon by Fasken Martineau DuMoulin LLP on behalf of AnorMED and by Farris, Vaughan, Wills & Murphy on behalf of the Underwriters.

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 March 6, 2000.

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 "Private Placement and Plan of Distribution".

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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". 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:	1,500,000 Special Warrants were issued by the Company on February 11, 2000 (the "Private Placement Closing Date"), each Special Warrant entitling the holder thereof to obtain, at no additional cost, one Common Share, subject to adjustments in certain circumstances. See "Private Placement and Plan of Distribution".
Price:	$14.00 per Special Warrant.
Amount:	$21,000,000.
Exercise Details:	The Special Warrants may be exercised by the holders thereof at any time on or before 4:30 p.m. (Vancouver time) on the day (the "Expiry Date") which is the earlier of: (a) the sixth business day after the day (the "Clearance Date") on which a receipt is issued for this prospectus by the last of the securities commission or similar regulatory authority (the "Securities Commissions") to do so in each of the Provinces of British Columbia, Manitoba, Ontario, Quebec and New Brunswick; and (b) the first business day following the date that is the first anniversary of the Private Placement Closing Date. If the Clearance Date has not occurred on or before the date (the "Qualification Date") which is 90 days from the Private Placement Closing Date, each holder of a Special Warrant has the right to retract all or any part of such holder's Special Warrants and to receive payment of the purchase price relating to the Special Warrants so retracted, together with the pro rata accrued interest earned thereon in the hands of the Trustee, provided that within five business days of the Qualification Date (not including the Qualification Date) the holder of Special Warrants has surrendered all or part of his or her Special Warrants for retraction to the Trustee and delivers therewith a retraction notice indicating the holder's election to retract all or any part of his or her Special Warrants. Any Special Warrant not retracted or exercised will be deemed, immediately prior to the Expiry Date, to be exercised without any further action on the part of the holder. See "Private Placement and Plan of Distribution".
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 $1,655,000, are $19,345,000. 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 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 six drugs in the clinical trial process and two 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 AstraZeneca PLC ("AstraZeneca") of London, U.K. (formerly Zeneca Pharmaceuticals Limited), 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, its therapeutic programs being the major focus of AnorMED's business. In addition to the product candidates summarized in the table below, AnorMED plans to spend significant resources on identifying and evaluating new and clinically important applications for metal and metal binding drugs.

Product Candidates	Disease Focus	Stage of Development[1]	Partner
Therapeutic Programs			
ZD0473	Cancer	Phase II	AstraZeneca
Lambda	Excess phosphate levels in kidney disease	Phase III	Shire Pharmaceuticals
AMD-3100	AIDS	Phase II	Unpartnered
Atiprimod	Rheumatoid arthritis	Phase I[2]	Unpartnered
Nitric Oxide Scavengers	Cancer Organ protection in cardiac surgery	Preclinical	Unpartnered
Diagnostic Imaging Programs			
DMP-444	Blood clots	Phase III	DuPont Pharmaceuticals[3]
RP-517	Infection	Phase I	DuPont Pharmaceuticals[3]
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 I clinical trials for Atiprimod were successfully completed at the end of 1997. See "Business of AnorMED — Products Under Development".
(3) 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		
	1999	1998	1999	1998	1997[1]
	(unaudited)				
Statement of Operations:					
Revenue					
Research revenue	$ 247,894	$ 865,438	$ 865,438	$ 350,933	$ 440,205
Licensing revenue	—	7,465,810	7,465,810	—	—
Interest income	1,962,332	1,126,602	1,572,930	736,147	668,985
Foreign exchange gain (loss)	(239,492)	677,546	642,432	—	—
	1,970,734	10,135,396	10,546,610	1,087,080	1,109,190
Expenses					
Research and development	7,336,015	4,931,913	6,748,320	5,694,836	7,056,277[2]
General and administrative	2,273,968	1,489,951	2,102,202	1,783,743	1,491,886
	9,609,983	6,421,864	8,850,522	7,478,579	8,548,163
Net earnings (loss)	$ (7,639,249)	$ 3,713,532	$ 1,696,088	$ (6,391,499)	$ (7,438,973)
Net earnings (loss) per common share	$ (0.37)	$ 0.24	$ 0.11	$ (0.47)	$ (0.75)
Fully diluted earnings (loss) per common share	$ (0.37)	$ 0.22	$ 0.10	$ (0.47)	$ (0.75)

	As at December 31		As at March 31		
	1999	1998	1999	1998	1997
	(unaudited)				
Balance Sheet:					
Cash and cash equivalents	$ 4,430,167	$ 2,498,245	$ 8,453,677	$ 6,909,894	$ 2,424,021
Short-term investments	47,255,354	25,254,607	45,871,457	15,633,154	14,080,401
Total assets	59,518,105	36,053,969	62,839,144	30,858,037	26,543,772
Deficit	(19,773,633)	(10,116,940)	(12,134,384)	(13,830,472)	(7,438,973)
Total shareholders' equity	56,999,724	34,053,465	59,507,470	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, 2000, AnorMED employed or retained 66 persons, 47 of whom hold advanced degrees in science or business, including 31 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 Institute of Cancer Research of Sutton, U.K., the University of Alberta in Edmonton, the Johns Hopkins University School of Medicine of Baltimore, Maryland, the University of Washington in Seattle and the Case Western Reserve University of Cleveland, Ohio.

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.

Term	Definition
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 Nitric Oxide (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.
Linker	A chemical entity which holds two separate molecules together.
MRI (Magnetic Resonance imaging)	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.

Term	Definition
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	Tumour 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.

On March 5, 1999, the Company completed its initial public offering of 5,000,000 Common shares at $6.10 per Common share for total gross proceeds of $30,500,000. Consequently with the closing of its initial public offering, AnorMED's Common shares were listed for trading on The Toronto Stock Exchange. On April 9, 1999, the Company issued an additional 160,000 Common Shares for gross proceeds of $976,000 pursuant to the exercise of an over-allotment option granted to the underwriters under the initial public offering.

The Company was incorporated under the *Canada Business Corporations Act* on January 5, 1996. Its principal business is located at Suite 200, 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.

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 AstraZeneca PLC (“AstraZeneca”) of London, U.K. (formerly Zeneca Pharmaceuticals Limited), 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 "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, its therapeutic programs being the major focus of AnorMED’s business. 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 significant resources on identifying and evaluating new and clinically important applications for metal and metal binding drugs.

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

Notes:

(1) For a description of the stages of development in the drug approval process, see "Product Approval Process".
(2) Phase I clinical trials for Atiprimod were successfully completed at the end of 1997.
(3) AnorMED has licensed this technology to Ortho Pharmaceutical Corporation, Inc. which has, in turn, sub-licensed 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.

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, 42 patients have been recruited and have received the drug intravenously. The interim results of this Phase I trial were presented at the 35th Annual American Society of Clinical Oncologists Meeting in Atlanta in May, 1999. This presentation indicated that the dose-limiting toxicity of ZD0473 was bone marrow suppression with no evidence of kidney or nerve toxicity. Initial indications of anti-tumour activity were observed in several patients.

Effective March 31, 1998, AnorMED entered into a licensing agreement with Zeneca Pharmaceuticals Limited (now AstraZeneca), whereby AnorMED exclusively licensed ZD0473 to AstraZeneca for worldwide development and commercialization. AstraZeneca is one of the top five pharmaceutical companies in the world based on sales and is a therapeutic leader in gastrointestinal, oncology, anesthesia including pain management, cardiovascular, central nervous system (CNS) and respiratory products. Based in the United Kingdom, AstraZeneca is a major $15.4 billion international bioscience business engaged in the research, development, manufacture, and marketing of prescription pharmaceuticals and agricultural products, and the supply of healthcare services. AstraZeneca 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".

In the fourth quarter of 1999, AstraZeneca initiated the first of several planned combination Phase I studies of ZD0473 with other chemotherapeutic agents as well as the first of several monotherapy Phase II trials with the drug.

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 1998, sales of top cancer and cancer-related therapies, which includes platinum anti-cancer agents, were US$7.8 billion. Of this total, sales of platinum oncology agents were US$657 million (Med Ad News, May 1999). In 1997, sales in this category were US$6.6 billion, and sales of platinum agents were US$582 million (Med Ad News, May 1998).

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 license 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 results from the Phase I study of healthy volunteers 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.

Lambda is currently in Phase III clinical trials in Europe. Recruitment for this 600 patient trial is now complete and Shire Pharmaceuticals commenced Phase III trials in the United States in July 1999.

Initiation of the Phase III trial follows positive results from a sub-group of patients who successfully completed the first four weeks of the 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. In August 1998, a Phase I study was initiated in Japan directly managed by an in-country caretaker on behalf of Shire.

The United States Phase II trial treated 145 kidney dialysis patients for up to six weeks with either placebo or Lambda in divided daily doses of 225, 675, 1350 or 2250 mg of lanthanum. The study results are positive with dose-related reductions in phosphate

levels at doses of 675, 1350 and 2250 mg and a good tolerability profile. At the end of the six-week study period, serum phosphate was reduced by 0.95 mg/dl in patients receiving 1350 mg and 1.13 mg/dl in patents receiving 2250 mg of lanthanum. These reductions were highly statistically significant when compared to a phosphate increase of about 0.75 mg/dl for patients on placebo. Lambda was generally well tolerated, although there were slightly more gastrointestinal complaints in patients who had taken Lambda compared with those taking placebo. However, these complaints were generally mild and transient.

AnorMED's licensee, Shire, is assuming all responsibility and expenses for the development and commercialization of Lambda and will pay AnorMED a royalty on sales if Lambda receives regulatory marketing approval. Therefore, the Company has not allocated any funds for expenditures on Lambda.

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 720,000 cases of End Stage Renal Disease (ESRD) were reported in 1997. ESRD is comprised of patients on dialysis and patients with functioning kidney transplants. In 1997, patients on dialysis included 218,940 in the United States and 175,988 in Japan (U.S.R.D.S., 1999). The Company estimates the total worldwide market for phosphate binders for dialysis patients is potentially US$400 to US$600 million.

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. 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.

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 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 "Business of AnorMED - 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, to the Company's knowledge, AMD-3100 is the only small molecule CXCR4 chemokine inhibitor in clinical development.

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. 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 both intravenously and sub-cutaneously. No oral bioavailability was demonstrated. The intravenous and sub-cutaneous 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. Enrollment in a Phase II study to test the effect of the intravenously administered drug on HIV infected individuals was commenced at Johns Hopkins University in May, 1999. Since that time, two other clinical sites have been added, Case Western Reserve University in Cleveland and the University of Washington in Seattle. 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 of AMD-3100. The Company expects to progress AMD-3100 to the point of determining initial anti-viral efficacy by the second half of the year 2000 and plans to establish a corporate partnership thereafter for late stage trials and marketing. Further plans for the second half of the year 2000 include the selection of an oral CXCR4 inhibitor for clinical development and the initiation of a multi-dose Phase I trial of AMD-3100 using sub-cutaneous administration of the drug.

Market

In 1998 it was estimated that over 33 million people worldwide were infected with HIV, with over 5 million new cases every year (1999 Datamonitor - Market Dynamics 1999:HIV). It is generally believed that in the absence of therapeutic intervention the vast majority of people infected with HIV will ultimately develop AIDS.

The global HIV drug market was valued at $4.0 billion in 1998. The U.S. represented 54 percent of this figure with sales of $2.2 billion in 1998. The key factors driving the growth of drug treatment of HIV include the recent adoption of combination therapies, whereby two, three, or even four antiretroviral drugs are taken together. As there is still no cure for HIV or AIDS, an infected individual must continue antiretroviral therapy for life (1999 Datamonitor - Market Dynamics 1999:HIV).

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. 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. The Company is developing plans for a Phase II trial pending the outcome of negotiations currently under way and results of additional preclinical testing. (See "Business of AnorMED- Prior Royalty Agreements").

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 and affects approximately 1% of the world's population. In the seven major pharmaceutical markets (U.S., France, Germany, Italy, Spain, the U.K., and Japan), approximately 6.8 million people will suffer from the disease by 2007 (Immune and Inflammatory Diseases, Phamacor, December 1998).

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, septic shock, arthritis, stroke, psoriasis and tumor growth. 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, the University of Glasgow and St. Andrews University, AnorMED has demonstrated *in vivo* activity with its NO scavengers in a number of animal models including a solid tumor model. Preclinical testing is underway with Celator Technologies Inc. and the University of Alberta to establish proof-of-principle in cancer and as an organ protective agent in cardiac bypass surgery. See "Business of AnorMED - Research Collaborators".

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.

Market

The market for new cancer therapeutics was discussed previously under the heading “ZD0473". It is anticipated that nitric oxide scavengers would be used in combination with cytotoxic drugs such as ZD0473. Therefore, the two products should not be considered competitors for each other.

According to the American Heart Association more than 1.7 million open heart surgeries were performed in the United States in 1997, over half of which were carried out on patients over the age of 65 (2000 Heart and Stroke Statistical Update). 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).

Although diagnostic imaging programs are not a major focus of AnorMED’s business, 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 an exclusive license to develop and market the hynic linker and is incurring all costs associated with the development and commercialization of the diagnostic products outlined below. DuPont Pharmaceuticals has been using the hynic linker in the development of radiopharmaceuticals for the detection and diagnosis of a variety of disease states. See "Business of AnorMED - Corporate Partnerships".

DMP-444

DuPont Pharmaceuticals 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 Pharmaceuticals 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 Pharmaceuticals has screened and selected a novel agent, RP-517, for the detection of inflammation and infection. 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. Initial clinical studies with this agent have been started.

Cancer Imaging Agent

AnorMED and DuPont Pharmaceuticals 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$1.1 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 1996 was 9.5%, and this is expected to increase as new applications to different disease areas, such as oncology, are developed (World Nuclear Medical Imaging Markets C Frost & Sullivan, 1997).

New Product Candidates

Scientists at AnorMED are applying their expertise in the science of metal and metal-binding chemistry to the identification of new product candidates. A major focus of this work is the development of versions of AMD-3100 capable of oral administration, as well as new compounds that inhibit other HIV-related chemokine receptors, such as CCR5. These new product candidates are summarized in the table below.

Product Candidates	Disease Focus	Stage of Development	Partner
AMD-3100 (Oral Analog)	AIDS	Research	Unpartnered
Chemokine Receptor	AIDS	Research	Unpartnered

Inhibitors			
Metallo-ß-lactamase Inhibitor	Infectious Diseases	Research	Unpartnered

A promising new area for AnorMED is the development of small molecule, metal-binding drugs capable of inhibiting metalloenzymes. Metalloenzymes are molecules that use metal atoms to promote specific chemical reactions in living systems. Certain metalloenzymes are involved in a variety of disease mechanisms, such as the metastatic spread of cancer and hypertension.

AnorMED has focused on a class of zinc-containing metalloenzymes called metallo-ß-lactamases (MBLs) that are used by some disease-causing bacteria to deactivate ß-lactam antibiotics. This deactivation results in the emergence of antibiotic resistant bacteria that can cause serious infections. AnorMED is developing inhibitors of MBLs that would be used with standard antibiotics to treat infections of these resistant bacteria. There are currently no approved inhibitors of MBL's on the market.

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 focusing 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 the process development and regulatory chemistry aspects 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".

AstraZeneca. Effective March 31, 1998, AnorMED reached an agreement with AstraZeneca whereby AnorMED exclusively licensed to AstraZeneca, its novel anti-cancer agent ZD0473 for further development and commercialization by AstraZeneca.

Under the terms of the agreement, there has been an initial payment by AstraZeneca 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. AstraZeneca will assume all expenses and responsibility for the worldwide development and commercialization of ZD0473. The license may be terminated by either party if there is a breach of material obligations, or in certain circumstances the failure by AstraZeneca to meet specified milestones. AstraZeneca has the right to terminate development under this license agreement at any time prior to product approval. Upon termination of the license agreement all the underlying technology will revert to AnorMED.

DuPont Pharmaceuticals. DuPont has, through a sub-license with Ortho Pharmaceutical Corporation, Inc. ("Ortho"), an exclusive worldwide license to AnorMED's hynic linker technology for use in non-cancer applications. The rights to non-cancer applications to the technology were originally licensed to Ortho and subsequently sub-licensed to DuPont on June 7, 1994. Under the terms of the original license 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 license 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 license agreement the underlying technology will revert to AnorMED.

On December 15, 1996, AnorMED and DuPont entered into a license agreement whereby DuPont was granted an exclusive worldwide license to AnorMED's hynic linker technology for use in cancer applications. Under the terms of this license 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 license agreement at any time prior to product approval. AnorMED may also terminate this license agreement in certain circumstances which includes the failure by DuPont to meet specified target dates. Upon termination of the license 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 license to AnorMED's patent on rare earth anti-hyperphosphatemia agents. As consideration for the license, Shire will pay a royalty to AnorMED on worldwide product sales derived from this license. Under the terms of the license agreement Shire has assumed all development and commercialization expenses for Lambda. The license 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 license agreement at any time prior to product approval. Upon termination of the license 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 was 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 AstraZeneca.

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 and was amended by AnorMED and the Rega Institute on April 1, 1999. 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.

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 platinum 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 from products developed through ICR's laboratory.

The Company continues to collaborate with ICR and recently entered into another agreement with the Institute on December 31, 1999. Evaluation of anti-cancer compounds developed by the Company or other research will be undertaken by ICR. Under this agreement the Company will pay the ICR the research cost to conduct such studies.

University of St. Andrews, St. Andrews, Scotland. On May 10, 1999 AnorMED entered into a research agreement with the University of St. Andrews to investigate NO scavenger compounds as potential anti-cancer drugs, under the direction of Dr. F.W. Flitney. Under this agreement the Company will pay a research fee to the University.

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 patient in the trial conducted by the University.

University of Washington, Seattle, Washington; Case Western Reserve University, Cleveland, Ohio. AnorMED recently entered into clinical trial agreements with the University of Washington and the Case Western Reserve University to conduct clinical trials on AMD-3100. Under the agreements, the Company will pay a fee for each patient in the trial at each University.

Celator Technologies Inc., Vancouver, British Columbia. On November 23, 1999, AnorMED entered into a research agreement with Celator Technologies Inc. for the purpose of investigating anti-cancer agents in *in vitro* tumor models. Under the agreement, AnorMED will pay a research fee to Celator Technologies Inc.

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 development 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 42 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, 30 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. To date, 30 patents have been issued in the United States. 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 license fees or royalties in each case where it has been granted a license or other commercial right.

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 partner's or its licensee's 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, Alza Corporation, 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., Millennium Pharmaceuticals Inc., Progenics Pharmaceuticals Inc., Schering-Plough Corporation and Takeda Chemical Industries Ltd.

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 Corixa Corporation, 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 and Takeda Chemicals Industries.

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 radiopharmaceuticals for the indications of thrombosis, infection and cancer include Nycomed Amersham PLC, Mallinckrodt Inc., Schering AG, Draxis Health 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 licensing laws require licensing 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 license 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 license 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, 2000, AnorMED employed or retained 66 persons, 47 of whom hold advanced degrees in science or business, including 31 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 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, the University of Washington in Seattle and the Case Western Reserve University of Cleveland, Ohio.

Facilities

AnorMED's head office and main laboratory is located in Langley, British Columbia, Canada. The 27,000 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 $365,000 over the term of the lease.

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 investors when evaluating an investment in the securities of the Company:

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, 1999, AnorMED has accumulated net losses of approximately $20 million. The Company realized a net profit of $1,696,088 during the year ended March 31, 1999 due to the initial payment from AstraZeneca; 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 "Corporate Partnerships". Consequently, AnorMED expects losses to increase in the near term as it funds 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 $63 million, net of offering costs, from the sale of equity securities in private placements and its initial public offering. 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.

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 licenses from third parties to avoid infringing patents or other proprietary rights. No assurance can be given that any licenses 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 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.

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 and shareholders 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 products 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. Currently, 5 members of AnorMED’s management and scientific staff are permitted to work in Canada pursuant to employment authorizations issued by Immigration Canada. Employment authorizations are required to be renewed annually. There is no assurance that the employment authorizations will be renewed.

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 $5 million per incident and an aggregate of $10 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.

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 date 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.

The Company has established a working committee to assess the impact of the Year 2000 on the Company and develop a remediation plan. See "Management's 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, 1999 (unaudited)	Outstanding at January 31, 2000 (unaudited)	Outstanding at January 31, 2000 after exercise of the Special Warrants[1] (unaudited)
Short-term Indebtedness				
Current portion of capital lease obligations[2]		$ 146,404	$ 143,754	$ 143,754
Long-term Indebtedness				
Capital lease obligations[2]		542,332	532,490	532,490
Shareholders' equity				
Preference shares, without par value	unlimited	N/A	N/A	—
Common shares	unlimited	76,773,357 (21,511,155 shs)	76,773,357 (21,511,155 shs)	96,118,357 (23,011,155 shs)[3]
Accumulated deficit [4]		(19,773,633)	(19,773,633)	(19,773,633)
Total shareholders' equity		56,999,724	56,999,724	76,344,724
Total capitalization		$ 57,688,460	$ 57,675,968	$ 77,020,968

Notes:

(1) Reflects the issuance of 1,500,000 Common Shares of the Company upon exercise of the Special Warrants at a price of $14.00 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) Excludes 1,622,250 Common Shares of the Company reserved for issuance upon the exercise of options granted to certain of the Company's executive officers, directors, employees, consultants and members of the Scientific Advisory Board and 847,656 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".

(4) As at December 31, 1999.

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 realized net earnings of $1,696,088 during the fiscal year ended March 31, 1999 due to the initial payment from AstraZeneca (See "Business of AnorMED — Corporate Partnerships"), the Company has incurred a cumulative deficit of $19,773,633 to December 31, 1999. 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		
	1999	1998	1999	1998	1997[1]
	(unaudited)				
Statement of Operations:					
Revenue					
Research revenue	$ 247,894	$ 865,438	$ 865,438	$ 350,933	$ 440,205
Licensing revenue	—	7,465,810	7,465,810	—	—
Interest income	1,962,332	1,126,602	1,572,930	736,147	668,985
Foreign exchange gain (loss)	(239,492)	677,546	642,432	—	—
	1,970,734	10,135,396	10,546,610	1,087,080	1,109,190
Expenses					
Research and development	7,336,015	4,931,913	6,748,320	5,694,836	7,056,277[2]
General and administrative	2,273,968	1,489,951	2,102,202	1,783,743	1,491,886
	9,609,983	6,421,864	8,850,522	7,478,579	8,548,163
Net earnings (loss)	$ (7,639,249)	$ 3,713,532	$ 1,696,088	$ (6,391,499)	$ (7,438,973)
Net earnings (loss) per common share	$ (0.37)	$ 0.24	$ 0.11	$ (0.47)	$ (0.75)
Fully diluted earnings (loss) per common share	$ (0.37)	$ 0.22	$ 0.10	$ (0.47)	$ (0.75)

	As at December 31		As at March 31		
	1999	1998	1999	1998	1997
	(unaudited)				
Balance Sheet:					
Cash and cash equivalents	$ 4,430,167	$ 2,498,245	$ 8,453,677	$ 6,909,894	$ 2,424,021
Short-term investments	47,255,354	25,254,607	45,871,457	15,633,154	14,080,401
Total assets	59,518,105	36,053,969	62,839,144	30,858,037	26,543,772
Deficit	(19,773,633)	(10,116,940)	(12,134,384)	(13,830,472)	(7,438,973)
Total shareholders' equity	56,999,724	34,053,465	59,507,470	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.

Nine month period ended December 31, 1999 compared with nine month period ended December 31, 1998

Revenue for the nine month period ended December 31, 1999 decreased to $1,970,734 compared to $10,135,396 for the same period ended December 31, 1998. The majority of the decrease was due to licensing revenue from the initial payment by AstraZeneca of approximately $7.3 million (net of a royalty of $1.3 million to the Institute for Cancer Research) under the Licensing Agreement for ZD0473 received during 1998. See “Business of AnorMED - Corporate Partnerships” and “Business of AnorMED - Research Collaborators”. In addition, research revenue from AstraZeneca decreased to $247,894 in 1999 from $865,438 in 1998 as activities related to the ZD0473 clinical trials that were performed by AnorMED and funded by AstraZeneca decreased as AstraZeneca assumed direct responsibility for this work. Interest income increased to $1,962,332 in 1999 from $1,126,602 in 1998 due to the increase in cash and short term investments primarily resulting from the net proceeds of the Company’s Initial Public Offering. During the nine month period ended December 31, 1999 the Company recognized a foreign exchange loss of $239,492 due to the increase in the value of the Canadian dollar relative to the US dollar. The Company currently holds approximately US$5.0 million, primarily as a result of the net proceeds from the payments by AstraZeneca and the exercise of warrants.

Research and development expenditures continued to increase in 1999 to $7,336,015 as compared to $4,931,913 in 1998. Research activities in 1999 included Phase II 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 to $2,302,656 in 1999 from $1,320,577 in 1998 due to the addition of 16 individuals which brings the total to 44 employees engaged directly in or directly supporting research and development in 1999 compared to 28 at the end of 1998. Other costs including lab operations, travel and conferences and amortization, also increased due to the increase in staff and with the recording of a full nine months of amortization for capital acquisitions made throughout fiscal 1999.

General and administrative expenses increased to $2,273,968 in 1999 from $1,489,951 in 1998. 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 1998. These increases were offset by a reduction of approximately $90,000 in consulting costs as AnorMED staff performed more activities that were previously performed by consultants. Amortization expense increased due to the additional equipment and leasehold improvements purchased for the new staff.

Capital expenditures of $1,423,435 increased from $390,206 in 1998. The majority of these costs were for the purchase of new laboratory equipment and leasehold improvements for the expansion of the Company’s biological, chemistry and analytical laboratories. 1998 expenditures were for the purchase of new laboratory equipment (which was partially financed via a capital lease) that enhanced the Company’s in-house analytical capabilities for the faster screening of new compounds. In addition, $172,327 was expended for the purchase of computer and office equipment for both administrative and new research personnel in 1999. Approximately $3.3 million is expected to be spent for additional laboratory equipment to further enhance the Company’s analytical and process development capabilities.

Year ended March 31, 1999 compared with year ended March 31, 1998

Revenue for the year ended March 31, 1999 increased to $10,546,610 compared to $1,087,080 for the same period ended March 31, 1998. The majority of the increase was due to licensing revenue from the initial payment by AstraZeneca of approximately $7.3 million (net of a back royalty of $1.3 million to the Institute for Cancer Research) under a licensing agreement for AnorMED's platinum anti-cancer agent ZD0473 with an effective date of March 31, 1998. In addition, research revenue from licensees increased to $865,438 in 1999 from $350,933 in 1998. Research revenue in 1999 was from activities related to the ZD0473 clinical trials that were completed by AnorMED and funded by AstraZeneca. Research revenue in 1998 was for preclinical research completed by AnorMED related to the cancer application of the Company's hynic linker technology. The bulk of this research is now complete and consequently the Company does not expect significant additional revenue from this source unless new contract research agreements are entered into. 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 are conditional upon the achievement of certain milestones under such agreements. Interest income increased to $1,572,930 in 1999 from $736,147 in 1998 due to the increase in cash and short-term investments during the year primarily resulting from positive operating income throughout 1999. In March 1999 the Company completed an initial public offering of its Common Shares for gross proceeds of $30,500,000 and obtained a listing on The Toronto Stock Exchange. The net proceeds, after share issue costs, of approximately $27,500,000 did not have a substantial impact on 1999 interest income but should result in a further increase in interest income in fiscal 2000. Gross proceeds of $781,266 from the private placement of equity securities and the exercise of warrants in December 1998 and $680,968 from a new capital lease were sufficient to fund the purchase of leaseholds, other capital assets and capitalized patent expenditures during 1999. During the year ended March 31, 1999 the Company recognized a foreign exchange gain of $642,432 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 AstraZeneca and the exercise of warrants.

Research and development expenditures continued to increase in 1999 to $6,748,320 as compared to $5,694,836 in 1998. Research activities in 1999 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 to $1,875,136 in 1999 from $1,065,461 in 1998 due to the addition of 14 individuals, which brings the total to 31 employees, engaged directly in or indirectly supporting research and development in 1999 compared to 17 at the end of 1998. Other costs including lab operations, travel and conferences also increased due to the increase in staff and the recording of a full year of expenses for staff that were hired throughout fiscal 1998.

General and administrative expenses increased to $2,102,202 in 1999 from $1,783,743 in 1998. The majority of these costs increases were due to the recording of a full year of salaries and other expenses for employees that were hired during fiscal 1998. These increases were offset by reductions in consulting costs as AnorMED staff performed more activities that were previously performed by consultants and a reduction in legal expenses due to the non-reoccurrence of the costs of negotiating and drafting the licencing agreement with AstraZeneca in 1998.

Capital expenditures of $1,983,181 in 1999 increased from $429,429 in 1998. A significant portion of these costs were for the purchase of new laboratory equipment that enhanced the Company's in-house analytical and biology capabilities for the faster screening of new compounds. Approximately $329,000 was expended for the purchase of computer and office equipment for both administrative and new research personnel and approximately $922,000 was spent on leasehold improvements during the year ended March 31, 1999. These leasehold improvements relate to an approximately $1,600,000 expansion to the Company's laboratory and offices that is expected to be completed in fiscal 2000 and is required to accommodate the increased staff necessary for the additional research and development planned by the Company.

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 $429,429 in 1998 increased marginally from $405,979 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

Prior to the completion of its initial public offering in March 1999, the Company financed its operations primarily through private sales of its equity securities and revenues and licence fees from its corporate partners. Through December 31, 1999, the Company had received $63,136,357 in net cash proceeds from the sale of its equity securities by way of private financing and its initial public offering. At December 31, 1999, the Company had working capital of $50,049,426. Under its various research

programs, including those entered into since December 31, 1999, the Company is obligated to make minimum research expenditures of approximately $1.3 million, 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, 1999, the Company had cash and short term investments of $51,685,521. The Company also has outstanding share purchase warrants which, if fully exercised, will result in the receipt of approximately $4.3 million to $4.9 million. The Company also has 1,602,250 stock options outstanding that are exercisable at prices between $US 2.00 and Cdn$7.00 per share. If all the stock options were exercised, the Company would receive proceeds of approximately $5.5 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, 2002, 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 that create program to assess the impact of and develop a remediation plan for the impact of the Year 2000. The Company has experienced no significant Year 2000 related incidents to date. The Company has relatively few suppliers due to the nature of its business and the manner in which its business is conducted. The Company identified and contacted key suppliers, partners and collaborators to determine their stage of readiness for the Year 2000. Confirmation of Year 2000 compliance was 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 laboratory 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 has reviewed 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 provides 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, the Company specifies when possible that Year 2000 compliance is required prior to the initiation of the trials.

The Company has 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 has obtained compliance certificates from suppliers of its existing and new capital equipment. Obsolete equipment was retired from all of the Company’s systems that were identified as being susceptible to the Year 2000.

The Company’s aggregate expenditures related to Year 2000 compliance to date has been less than $100,000. Approximately $25,000 was incurred and expended in fiscal 1999 with the remainder expended in the first half of fiscal 2000. The conversion and testing of the systems was achieved with the Company’s existing staff and testing and implementation of the necessary changes was completed by December 1999.

USE OF PROCEEDS

The estimated net proceeds to the Company from the issue and sale of the Special Warrants will be $19,345,000 after deducting the estimated expenses of the offering, including the Underwriters' fee. Of the estimated net proceeds of the offering, along with current working capital as at December 31, 1999 of $50,049,427, the Company currently intends to use the aggregate amount of $69,394,427 through mid-fiscal 2003, approximately as follows:

(a) $41.1 million will be used to fund further research and clinical trials on the Company's current product candidates, comprised of $35.1 million for AMD-3100 and the chemokine antagonist program and $6.0 million for Nitric Oxide Scavengers. See "Business of AnorMED — Therapeutic Programs";

(b) $8.8 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 $1.9 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) $3.6 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) $1.5 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) $4.3 million will be used for capital expenditures, including $500,000 for leasehold improvements for the construction of additional laboratory facilities, $3.3 million for additional laboratory and analytical equipment to enhance the Company's drug discovery capability (see "Business of AnorMED — Business Strategy") and $500,000 for office and computer equipment. See "Business of AnorMED — Facilities"; and

(f) $2.5 million (net of interest income of approximately $6.4 million) will be used for general and administrative expenses. The gross amount of these expenses of $8.9 million includes $5.3 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.

The balance of the net proceeds of approximately $7.6 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 847,656 Common Shares, which, if fully exercised, would provide the Company with proceeds ranging between approximately $4.3 and $4.9 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 exercise of the Special Warrants	Percentage of Class After Giving Effect to exercise of the Special Warrants
Johnson Matthey Inc Wayne, Pennsylvania[(1)]	2,007,444	9.3%	8.7%
Matthey Finance Limited London, England[(1)]	1,698,666	7.9%	7.4%
	3,706,110	17.2%	16.1%

Note:

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

As of the date hereof the directors and executive officers of AnorMED, as a group, will immediately before exercise of the Special Warrants, beneficially own or exercise control or direction over an aggregate of 246,333 Common Shares (1,146,333 on a fully diluted basis), representing 1.1% (4.8% fully diluted) of the Common Shares issued and outstanding as at that time. After the Special Warrants are exercised, the directors and executive officers of AnorMED, as a group will beneficially own or exercise control or direction over an aggregate of 246,333 Common Shares (1,146,333 on a fully diluted basis), representing 1.1% (4.5% full diluted) of the Common Shares issued and outstanding as at that time.

PRIVATE PLACEMENT AND PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement (the "Underwriting Agreement") dated February 8, 2000 among BMO Nesbitt Burns Inc., RBC Dominion Securities Inc. and CIBC World Markets Inc. (collectively, the "Underwriters") and the Company, the Company agreed to issue and sell, and the Underwriters agreed to purchase or arrange for the purchase of, by way of private placement (the "Private Placement") 1,500,000 Special Warrants at a price of $14.00 per Special Warrant. The Special Warrants were issued by the Company on February 11, 2000 (the "Private Placement Closing Date") at a price of $14.00 per Special Warrant. Upon the exercise of the 1,500,000 Special Warrants thereby sold, 1,500,000 Common Shares, subject to adjustment as provided in the Special Warrant Indenture (as hereinafter defined), will be issued from treasury by the Company.

Under the Underwriting Agreement, the Company agreed to pay to the Underwriters a fee equal to 6.5% of the gross proceeds from the issue and sale of the Special Warrants and to reimburse the Underwriters for certain fees and expenses relating to this offering, up to a maximum of $50,000, and the Company agreed to indemnify the Underwriters against certain liabilities. The Company further agreed that it will not, for a period of 180 days from the Private Placement Closing Date without prior written consent of the Underwriters, authorize, issue or sell any Common Shares or securities convertible into Common Shares, subject to certain exceptions.

The Special Warrants were issued and are governed by a special warrant indenture (the "Special Warrant Indenture") made as of February 11, 2000 between the Company and Montreal Trust Company of Canada (the "Trustee") as trustee. Each Special Warrant entitles the holder, upon exercise, to acquire one Common Share, subject to adjustment as provided in the Special Warrant Indenture, without any additional payment, at any time on or before 4:30 p.m. (Vancouver time) on the day (the "Expiry Date") which is the earlier of (i) the sixth business day after the date (the "Clearance Date") on which a receipt is issued for this prospectus by the last of the securities regulatory authority to do so in each of the Provinces of British Columbia, Manitoba, Ontario, Quebec and New Brunswick; and (ii) the first business day following the date of the first anniversary of the Private Placement Closing Date. If the Clearance Date has not occurred on or before the date (the "Qualification Date") which is 90 days from the Private Placement Closing Date, each holder of a Special Warrant has the right to retract all or any part of such holder's Special Warrants and to receive payment of the purchase price relating to the Special Warrants so retracted, together with the pro rata accrued interest earned thereon in the hands of the Trustee, provided that prior to 4:30 p.m. (Vancouver time) on the fifth business day after the Qualification Date (not including the Qualification Date) the holder of Special Warrants has

surrendered all or part of his or her Special Warrants for retraction to the Trustee and delivers therewith a retraction notice indicating the holder's election to retract all or any part of his or her Special Warrants.

All of the Special Warrants which have not been retracted or exercised previously shall be deemed to be exercised, without any further action on the holder's part, immediately prior to 4:30 p.m. (Vancouver time) on the earlier of (i) the sixth business day after the Clearance Date, and (ii) the first business day following the date which is the first anniversary of the Private Placement Closing Date. In accordance with applicable securities laws, if the Common Shares are issued upon the exercise of Special Warrants prior to the issuance of a receipt for a (final) prospectus, such Common Shares may be subject to a hold period or other restrictions on resale.

No Special Warrantholder has any right or interest whatsoever as a shareholder of the Company, including but not limited to the right to vote at, to receive notice of, or to attend meetings of shareholders or any other proceedings of the Company, or the right to receive dividends or other distributions of the Company. In accordance with the Special Warrant Indenture, if, prior to the Expiry Date, the Company pays any dividend or makes any distribution to all or substantially all of the shareholders of the Company, declares any dividend or provides for any distribution payable to all or substantially all of the shareholders of the Company of record on such date, Special Warrantholders who have exercised or are deemed to have exercised their Special Warrants shall be entitled to participate in the dividend or distribution on the same terms, mutatis mutandis, as if they exercised their Special Warrants immediately prior to the effective date or record date of the dividend or distribution. Under no circumstances will dividends or distributions be paid to holders who have exercised their retraction rights.

The aggregate gross proceeds from the issue and sale of the Special Warrants, less the Underwriters' fee paid to the Underwriters in respect of the issue and sale of the Special Warrants, are being held in trust by the Trustee pursuant to the Special Warrant Indenture. Such escrow proceeds will be released from trust upon the exercise or retraction of the Special Warrants in accordance with the terms of the Special Warrant Indenture. To the extent such escrow proceeds are not sufficient to enable the Trustee to make any required payments under the Special Warrant Indenture in full, the Company will, within one business day after receipt of written notice from the Trustee specifying such deficiency, provide the Trustee with sufficient certified funds to enable the Trustee to make such payment in full.

The Special Warrants were issued pursuant to exemptions from the registration and prospectus requirements of the applicable securities statutes of the provinces in which purchasers of the Special Warrants resided on the Private Placement Closing Date. This prospectus is being filed to qualify the distribution of the Common Shares to be issued upon exercise of the Special Warrants.

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 to be issued upon the exercise or deemed exercise of the Special Warrants have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act"), or the securities laws of any state, 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 and the securities laws of all applicable states.

A Canadian chartered bank controls both Royal Bank Ventures Inc. and RBC Dominion Securities Inc. (one of the Underwriters). Royal Bank Ventures Inc. holds 1,394,446 Common Shares and share purchase warrants to purchase 237,500 Common Shares, representing 6.5% of the outstanding number of Common Shares and 28.0% of the outstanding number of share purchase 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 Ventures Inc. and RBC Dominion Securities Inc. do not have any influence on the affairs of the Company.

PRICE RANGE AND TRADING VOLUME OF COMMON SHARES

On March 5, 1999, the Common Shares began trading on The Toronto Stock Exchange under the symbol “AOM”. The following table sets forth the range of high and low closing prices for the Common Shares as reported on The Toronto Stock Exchange, for the periods indicated.

	The Toronto Stock Exchange		
	High	Low	Volume
March 1999[1]	6.55	5.80	791,351
April 1999	6.20	5.50	328,380
May 1999	5.90	4.70	250,550
June 1999	6.10	4.80	186,935
July 1999	7.95	5.40	454,448
August 1999	7.15	6.60	193,891
September, 1999	7.25	5.80	594,273
October, 1999	6.45	5.95	140,106
November, 1999	8.00	6.00	226,331
December, 1999	9.25	7.65	591,701
January, 2000	15.00	8.95	2,068,828
February 2000[2]	18.05	13.75	497,391

Notes:

(1) From March 5, 1999
(2) to February 10, 2000

On February 10, 2000, the closing sale price of the Common Shares on The Toronto Stock Exchange was $17.50 per share.

DESCRIPTION OF SHARE CAPITAL

The authorized share capital of AnorMED consists 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, 1999, 21,511,155 Common Shares were issued and outstanding and 3,390,625 share purchase warrants to purchase 847,656 Common Shares 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. The Preferred Shares are 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 are 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 share purchase 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 share purchase warrants was US$3.00 per share up to December 31, 1999, and has increased 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 share purchase warrants are not listed, and the Company will not seek to have the Warrants listed, on any stock exchange.

PRIOR SALES

The following table sets forth the details of all issuances or sales of Common Shares by the Company within the twelve months prior to the date hereof:

Date of Issuance or Sale	Description of Transaction	Aggregate Number of Common Shares Issued	Price per Common Share
March 5, 1999	Issuance upon closing of the Company's initial public offering	5,000,000	$6.10
April 9, 1999	Issuance upon exercise of an over-allotment option granted to the underwriters under the Company's initial public offering	160,000	$6.10
June 22, 1999	Issuance upon exercise of Incentive Stock Options	2,250	$3.79
July 7, 1999	Issuance under the Employee Share Purchase Plan	3,000	$4.59
August 4, 1999	Issuance upon exercise of Incentive Stock Option	4,666	$2.98
October 20, 1999	Issuance under the Employee Share Purchase Plan	3,333	$5.25
December 24, 1999	Issuance upon exercise of share purchase warrants	941,222	US$3.00
December 31, 1999	Issuance upon exercise of share purchase warrants	18,750	US$3.00

DILUTION

Based on the unaudited balance sheet of the Company as at December 31, 1999, after giving effect to the exercise of the Special Warrants, but excluding any additional Common Shares issuable on exercise of options or the Warrants, the offering price of $14.00 per Common Share will exceed the net tangible book value per Common Share by $10.81, as set forth in the following table:

Offering price per Common Share		$ 14.00
Net tangible book value per Common Share as of December 31, 1999	$ 2.52	
Increase in net tangible book value per Common Share attributable to this offering[1]	0.67	
Net tangible book value per Common Share after this offering		3.19
Dilution per Common Share to subscribers[2]		$ 10.81
Percentage of dilution in relation to the offering price[2]		77.21%

Notes:

(1) After deducting the estimated expenses of this offering and the fees payable to the Underwriters. See "Private Placement and Plan of Distribution".

(2) To the extent that any currently outstanding options and share purchase warrants are exercised, there will be further dilution to new investors. See "Capitalization", "Executive Compensation - Outstanding Options" and Note 5 to the Company's Financial Statements.

ESCROW AND POOLING ARRANGEMENTS

A total of 5,234,442 Common Shares (the "Escrowed Shares"), including 134,824 Common Shares underlying options, representing 22.75% of the Common Shares outstanding after giving effect to exercise of the Special Warrants (20.54% assuming exercise of all share purchase warrants and outstanding options), are being held in escrow by Montreal Trust Company of Canada (the "Escrow Agent") pursuant to an agreement (the "Escrow Agreement") 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 (now Royal Bank Ventures Inc.) (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. 10% of the original 5,816,046 Escrowed Shares were released from escrow on November 6, 1999 being nine months following the date of issue of final receipts by the Ontario Securities Commission and the Commission des valeurs mobilières du Québec for the Company's initial public offering preliminary prospectus. 30% of the Escrowed Shares will be released on each of the first, second and third anniversaries of the initial release.

An aggregate of 16,749,312 Common Shares, including 847,656 Common Shares underlying Warrants and approximately 1,238,250 Common Shares underlying options, are subject to a pooling agreement dated as of February 25, 1999 among the owners of these shares, the Company, the Escrow Agent and Nesbitt Burns Inc., CIBC Wood Gundy Securities Inc., RBC Dominion Securities Inc. and Goepel McDermid Inc. Pursuant to this agreement, these shares shall not, for a period of 12 months after the date of the agreement, be sold, dealt in, assigned or transferred in any manner whatsoever, except in certain limited circumstances.

Pursuant to securities legislation in certain of the provinces of Canada, if the Common Shares are issued upon the exercise of Special Warrants prior to the issuance of a receipt for a (final) prospectus, such Common Shares may be subject to a hold period or other restrictions on resale.

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, Municipality of Residence and Present Position with the Company	Date Became a Director/Officer[1]	Principal Occupation Last Five Years[2]
David Scott[3][4][6] Vancouver, British Columbia Chairman of the Board and Director	January 6, 1996	Retired December, 1999. Former 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	January 6, 1996	Officer of the Company,
Geoffrey W. Henson, Ph.D. Ferndale, Washington Executive Vice President and Chief Operating Officer	January 6, 1996	Officer of the Company,
W.J. (Bill) Adams, C.A. Langley, British Columbia Vice President Finance, Chief Financial Officer, Secretary and Treasurer	June 27, 1997	Officer of the Company,
Michael J. Cleare Ph.D.[3] Kennett Square, Pennsylvania Director	June 28, 1996	Retired, July 1999. Former Managing Director and President, Electronics Materials Division and Pharmaceutical Materials Group, Johnson Matthey PLC (advanced materials company)
Julia Levy, Ph.D. [3][4] Vancouver, British Columbia Director	September 30, 1996	President, Chief Executive Officer and Chief Scientific Officer, QLT PhotoTherapeutics Inc. (biopharmaceutical company)
Colin Mallet [5][6] Vancouver, British Columbia Director	September 30, 1996	Chairman, Synapse Technologies Inc. (biotechnology company)
Michael E. Phillips[4][5][6] Vancouver, British Columbia Director	October 31, 1997	Senior Vice President Investment, Growth Works Capital Ltd., Manager of Working Opportunity Fund (EVCC) Ltd. (Venture capital fund)
Willem Wassenaar, M.D.[5] Toronto, Ontario Director	September 30, 1996	Chief Operating Officer, Transplantation Technologies Inc. (biotechnology company)
Edward J. Wawrzynczak, Ph.D. Tadworth, England Director	March 18, 1998	Assistant Director, Rothschild Asset Management Limited (asset management company)

Notes:

(1) Each director is elected to hold office, subject to the By-laws of the Company, until the next annual meeting of shareholders or until his successor is elected or appointed.

(2) 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.
(3) Member of the Compensation Committee.
(4) Member of the Finance Committee.
(5) Member of the Audit Committee.
(6) Member of the Corporate Governance 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. From 1994 until his retirement in December, 1999, Mr. Scott had 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 M.B.A. 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, an orally administered platinum anti-tumour agent. In 1991, Dr. Abrams was promoted to Manager, Biomedical Research, worldwide for Johnson Matthey PLC (together with its affiliates, "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 18 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 15 years experience in pharmaceutical discovery and development. Dr. Henson is a named inventor on three patents and has authored 22 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. Dr. Cleare retired from JM in July, 1999. 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 until his retirement, he was 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 (EVCC) Ltd.

Colin Mallet, Director. Mr. Mallet has been the Chairman of Synapse Technologies Inc., a biotechnology company in Vancouver, British Columbia, since May, 1999. Mr. Mallet was the President and Chief Executive Officer of Synapse Technologies Inc. from March 1998 to May 1999. 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 19 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.

Willem Wassenaar, M.D., M.B.A., Director. In May 1999, Dr. Wassenaar became the Chief Operating Officer of Transplantation Technologies Inc., a biotechnology company. 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 M.D. 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., Senior 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 twelve patents and is the author of more than 25 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 five 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., Senior 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., Senior Director of Business Development. Ms. Mullarky has spent over 13 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.

Renato T. Skerlj, Ph.D., Director of Chemistry. Dr. Skerlj was a Senior Research Chemist at Merck & Co., Inc. from October 1995 until he joined AnorMED in May 1998. Prior to October 1995 Dr. Skerlj was a Research Chemist with JM's biomedical research group. Dr. Skerlj is a named inventor on 7 patents and is the author of more than 20 scientific articles. He received

a Ph.D. in Chemistry from the University of British Columbia and did post-doctoral research at the University of Oxford (U.K.) and Ohio State University.

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, 1999, 1998 and 1997 of the Chief Executive Officer and two other executive officers of AnorMED (together, the "Named Executive Officers").

Summary Compensation Table for 1997, 1998 and 1999 Financial Years

Name and Principal Position	Year	Annual Compensation		Long Term Compensation	
				Awards	
		Salary	Bonus	Securities Under Options Granted	All Other Compensation
Michael Abrams, Ph.D.,	1999	$221,990	—	—	—
President, Chief Executive	1998	$211,008	—	—	$6,473[1]
Officer & Director	1997	$169,678	—	350,000	$5,477[1]
Geoffrey W. Henson, Ph.D.,	1999	$197,792	$14,000	5,000	—
Executive Vice President and	1998	$188,000	—	—	$6,591[1]
Chief Operating Officer	1997	$142,337	—	350,000	$5,575[1]
W.J. (Bill) Adams, C.A.,	1999	$123,000	$25,000	10,000	—
Vice President, Finance and	1998[2]	$93,438	—	100,000	—
Chief Financial Officer	1997	—	—	—	—

Notes:

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

(2) Mr. Adams was not employed by the Company for the entire financial year ended March 31, 1998. Mr. Adams began his employment with the Company in June 1997.

Option Grants During 1999 Financial Year

Name	Securities Under Options Granted (#)	% of Total Options Granted to Employees in Financial Year	Exercise or Base Price ($/Security)	Market Value of Securities Underlying Options on the Date of Grant ($/Security)	Expiration Date
Geoffrey W. Henson, Ph.D., Executive Vice President and Chief Operating Officer	5,000	2.8%	$4.50	$4.50	June 5, 2008

W.J. (Bill) Adams, C.A., Vice President, Finance and Chief Financial Officer	10,000	5.7%	$6.10	$6.10	March 5, 2009

Aggregated Options Exercised During 1999 Financial Year and Financial Year-End Option Values

Name and Principal Position	Securities Acquired on Exercise	Aggregate Value Realized	Unexercised Options at March 31, 1999 Exercisable/ Unexercisable	Value of Unexercised in-the-Money Options at March 31, 1999 Exercisable/ Unexercisable[(1)]
Michael Abrams, Ph.D. President, Chief Executive Officer and Director	—	—	233,333/116,667	$728,000/364,000
Geoffrey W. Henson, Ph.D. Executive Vice President and Chief Operating Officer	—	—	233,333/121,667	$728,000/372,250
W.J. (Bill) Adams, C.A. Vice President, Finance and Chief Financial Officer	—	—	33,333/76,667	$104,000/208,500

Note:

(1) Based on a market value of $6.15 per share, being the closing trading price per Common Share on The Toronto Stock Exchange as of March 31, 1999.

Employment Contracts

The Compensation Committee of the Company reviews on an annual basis its existing employment agreements with Dr. Abrams and Dr. Henson. 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 Dr. Abrams and Dr. Henson (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 (12) months' salary plus one (1) month's salary for each complete year of service to a maximum of fifteen (15) months.

Remuneration of Directors

Directors who (i) are also an executive officer of the Company, (ii) represent a shareholder on the Board of Directors, or (iii) were elected under terms relating to an investment made by or on behalf of an investor or manager by whom they continue to be employed full time, receive no cash renumeration for serving as a director.

All other directors ("Independent Directors") are entitled to receive compensation of $10,000 payable in quarterly instalments. For fiscal 1999, Colin Mallet and Willem Wassenaar, two Independent Directors, each received $10,000. In addition, Independent Directors receive a fee, plus out-of pocket expenses incurred on behalf of the Company for each Board of Directors and committee meeting attended. No such fees were paid in fiscal 1999, but beginning in May 1999 the Company began paying a fee of $500 per meeting attended.

Options to purchase Common Shares of the Company may also be awarded to members of the Board of Directors at the discretion of the Board of Directors pursuant to the Company's incentive stock option plan. Independent Directors are also granted options to purchase Common Shares up to a maximum of 10,000 options per Independent Director per year. The exercise price of such options must not exceed the market value of the Common Shares on the date of grant. For the year ended March 31, 1999, no options were granted to directors of the Company.

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.

Incentive Stock Option Plan

The Company currently has an incentive stock option plan (the "Plan") under which outstanding stock options to purchase 1,622,250 Common Shares (all of which are non-transferable) have been granted to certain 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. The exercise price of options granted under the Plan is 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 of 1/3 of the options per year starting on the first anniversary of the grant date. 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.

Indemnification of Directors or Officers

There is no indemnification payable this financial year to directors or officers of the Company.

Directors and Officers' Insurance

The Company maintains liability insurance for its directors and officers in the aggregate amount of $5.0 million, subject to a $50,000 deductible loss payable by the Company. The current annual premium of $47,000 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.

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, 2000.

	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
	10,000	Cdn$6.10/Cdn$6.10[2]	March 5, 2009
Directors (five)	65,000	US$2.00/US$2.00	November 4, 2006
	20,000	Cdn$5.50	July 5, 2009
	20,000	Cdn$9.00	January 1, 2010
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
Tammy Mullarky	5,000	US$2.00/US$2.00	January 9, 2002
Employees (54)			
	299,250	US$2.00/US$2.00	January 9, 2007 to July 1, 2007
	77,250	US$3.25/US$3.25	July 21, 2007 to August 11, 2008
	102,750	Cdn$4.50/Cdn$4.50	March 2, 2008 to September 1, 2008
	39,000	Cdn $6.10[2]/Cdn$4.50	September 14, 2008 to January 21, 2009
	5,000	Cdn$6.10	May 3, 2009
	22,750	Cdn$4.85	May 28, 2009 to May 31, 2009
	6,000	Cdn$5.35	June 7, 2009
	8,000	Cdn$5.20	July 1, 2009
	16,000	Cdn$5.50	July 5, 2009
	25,500	Cdn$6.75	July 30, 2009
	5,000	Cdn$6.90	August 3, 2009
	8,000	Cdn$7.00	September 15, 2009
	18,750	Cdn$6.20	November 5, 2009
	8,000	Cdn$6.10	November 15, 2009
Total	1,622,250		

Notes:

(1) Prior to the closing of the Company's initial public offering on March 5, 1999, the exercise price and market price were determined based upon the last price at which Common Shares were issued before the grant of the option. After March 5, 1999, the exercise price was determined based upon the closing board lot sale price per Common Share on The Toronto Stock Exchange on the trading day immediately preceding the date of grant, or if there was no board lot sale on such date, then the last board lot sale prior thereto.

(2) Exercise price was determined based upon the price per Common Share of the Company's initial public 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 "Private Placement and Plan of Distribution";

(2) the Special Warrant Indenture referred to under "Private Placement and Plan of Distribution";

(3) the subscription agreements between the Company and each subscriber for Special Warrants;

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

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

(6) the Transfer Agency and Registrar Agreement dated as of May 15, 1998 between the Company and Montreal Trust Company of Canada; and

(7) the Licence Agreement dated as of March 31, 1998 between Zeneca Limited (predecessor to AstraZeneca 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 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.

CONTRACTUAL RIGHT OF ACTION FOR RECISSION

In the event that a holder of a Special Warrant who acquires a Common Share upon the exercise of the Special Warrant as provided for in this prospectus is or becomes entitled under applicable securities laws to the remedy of rescission by reason of this prospectus relating to the issue of the Common Share on exercise thereof or any amendment thereto containing a misrepresentation, such holder shall be entitled to rescission not only of the holder's exercise of its Special Warrant but also of the private placement pursuant to which the Special Warrant was initially acquired, and shall be entitled in connection with such rescission to a full refund of all consideration paid in respect of the acquisition of the Special Warrant. In the event such holder is a permitted assignee of the interest of the original Special Warrant subscriber in accordance with the Special Warrant Indenture, such permitted assignee shall be entitled to exercise such rights of rescission and refund as if such permitted assignee were such original subscriber. The foregoing rights are in addition to any other right or remedy available to a holder of Special Warrants under section 131 of the *Securities Act* (British Columbia) or the corresponding provisions of other securities legislation or otherwise at law.

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 Fasken Martineau DuMoulin LLP and for the Underwriters by Farris, Vaughan, Wills & Murphy. As at March 31, 1999, partners of Fasken Martineau DuMoulin LLP 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 statements of operations and deficit and cash flows of AnorMED Inc. for the initial year ended March 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the results of the Company's operations and its cash flows for the initial year ended March 31, 1997 in accordance with generally accepted accounting principles in Canada.

Chartered Accountants

Vancouver, Canada
May 22, 1997

AUDITORS' REPORT

To the Directors of AnorMED Inc.

We have audited the balance sheets of AnorMED Inc. as at March 31, 1999, and 1998 and the statements of operations and deficit and cash flows for the years 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 audits.

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

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

Chartered Accountants

Vancouver, Canada
May 7, 1999, except as to Note 13 which is as of **Ž**, 2000

REVIEW ENGAGEMENT REPORT

To the Directors of AnorMED Inc.

We have reviewed the balance sheet of AnorMED Inc. as at December 31, 1999 and the statements of operations and deficit and cash flows for the nine months ended December 31, 1999 and 1998. Our review was made in accordance with Canadian 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 review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Vancouver, Canada
Ž, 2000

AnorMED Inc.

Balance Sheets

	December 31, 1999	March 31, 1999	March 31, 1998
	(unaudited)		
Assets			
Current assets			
Cash and cash equivalents	$ 4,430,167	$ 8,453,677	$ 6,909,894
Short term investments	47,255,354	45,871,457	15,633,154
Accounts receivable	162,629	244,203	136,590
Prepaid expenses	177,325	113,458	169,008
Current portion of security deposit	–	–	125,000
	52,025,475	54,682,795	22,973,646
Security deposit (note 10(a))	475,000	475,000	475,000
Capital assets (note 2)	4,145,213	3,368,738	1,101,165
Intellectual property and patents (note 3)	2,872,417	4,312,611	6,308,226
	$ 59,518,105	$ 62,839,144	$ 30,858,037
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	$ 1,829,645	$ 2,524,596	$ 1,093,080
Current portion of capital lease obligations (note 4)	146,404	152,716	44,016
	1,976,049	2,677,312	1,137,096
Capital lease obligations (note 4)	542,332	654,362	162,274
	2,518,381	3,331,674	1,299,370
Shareholders' equity			
Share capital (note 5)	76,773,357	71,641,854	43,389,139
Deficit	(19,773,633)	(12,134,384)	(13,830,472)
	56,999,724	59,507,470	29,558,667
Commitments and contingencies (note 10)			
Subsequent event (note 13)			
	$ 59,518,105	$ 62,839,144	$ 30,858,037

See accompanying notes to financial statements.

On behalf of the Board:

(Signed) COLIN MALLET
Director

(Signed) WILLEM WASSENAAR
Director

AnorMED Inc.

Statements of Operations and Deficit

	Nine month period ended December 31,		Years ended March 31,		
	1999	1998	1999	1998	1997
	(unaudited)	(unaudited)			
Revenue					
Research revenue	$ 247,894	$ 865,438	$ 865,438	$ 350,933	$ 440,205
Licensing revenue	–	7,465,810	7,465,810	–	–
Interest income	1,962,332	1,126,602	1,572,930	736,147	668,985
Foreign exchange gain (loss)	(239,492)	677,546	642,432	–	–
	1,970,734	10,135,396	10,546,610	1,087,080	1,109,190
Research and development expenses					
Amortization	2,167,113	1,878,902	2,570,015	2,425,322	1,770,032
Consulting	88,088	25,007	36,556	21,425	86,423
Contract research	1,315,476	799,038	978,408	1,041,852	198,431
Lab operations	1,059,752	638,490	902,324	690,733	434,882
Patents	163,282	115,996	178,895	262,296	550,351
Personnel costs	2,302,656	1,320,577	1,875,136	1,065,461	654,135
Relocation of business	–	–	–	91,161	360,290
Travel and conference	239,648	153,903	206,986	96,586	17,183
Write-down of intellectual property (note 3)	–	–	–	–	2,984,550
	7,336,015	4,931,913	6,748,320	5,694,836	7,056,277
General and administrative expenses					
Accounting and legal	128,730	70,773	86,799	213,951	108,157
Amortization	265,980	110,314	170,118	129,859	3,206
Consulting	36,066	126,493	154,165	197,949	230,393
Office operations	465,958	310,348	461,298	336,718	470,294
Personnel costs	1,231,930	769,146	1,102,642	836,933	457,160
Relocation of business	–	–	–	–	89,883
Travel and conference	145,304	102,877	127,180	68,333	132,793
	2,273,968	1,489,951	2,102,202	1,783,743	1,491,886
Net earnings (loss)	(7,639,249)	3,713,532	1,696,088	(6,391,499)	(7,438,973)
Deficit, beginning of period	(12,134,384)	(13,830,472)	(13,830,472)	(7,438,973)	–
Deficit, end of period	$(19,773,633)	$(10,116,940)	$(12,134,384)	$(13,830,472)	$ (7,438,973)
Net earnings (loss) per common share	$ (0.37)	$ 0.24	$ 0.11	$ (0.47)	$ (0.75)
Fully diluted earnings (loss) per common share	$ (0.37)	$ 0.22	$ 0.10	$ (0.47)	$ (0.75)

See accompanying notes to financial statements

AnorMED Inc.

Statements of Cash Flows

	Nine month period ended December 31,		Years ended March 31,		
	1999	1998	1999	1998	1997
	(unaudited)	(unaudited)			
Cash provided by (used in):					
Operations					
Net earnings (loss)	$ (7,639,249)	$ 3,713,532	$ 1,696,088	$ (6,391,499)	$ (7,438,973)
Items not involving cash					
Amortization	2,433,093	1,989,216	2,740,133	2,555,181	1,773,238
Write-down of intellectual property	–	–	–	–	2,984,550
Changes in non-cash operating working capital	(677,244)	(41,343)	1,379,453	369,047	621,611
	(5,883,400)	5,661,405	5,815,674	(3,467,271)	(2,059,574)
Financing					
Capital lease obligations	(118,342)	(43,916)	(80,180)	(17,402)	–
Issue of shares	5,131,503	781,266	28,252,715	10,182,164	19,569,976
Deferred finance costs	–	(587,350)	–	–	–
Redemption of share	–	–	–	–	(1)
	5,013,161	150,000	28,172,535	10,164,762	19,569,975
Investments					
Net purchase of short-term investments	(1,383,897)	(9,621,453)	(30,238,303)	(1,552,753)	(14,080,401)
Security deposit	–	–	125,000	–	(600,000)
Purchase of capital assets	(1,423,435)	(390,206)	(1,983,181)	(429,429)	(405,979)
Purchase of patent rights	(345,939)	(211,395)	(347,942)	(229,436)	–
	(3,153,271)	(10,223,054)	(32,444,426)	(2,211,618)	(15,086,380)
Change in cash and cash equivalents	(4,023,510)	(4,411,649)	1,543,783	4,485,873	2,424,021
Cash and cash equivalents, beginning of period	8,453,677	6,909,894	6,909,894	2,424,021	–
Cash and cash equivalents, end of period	$ 4,430,167	$ 2,498,245	$ 8,453,677	$ 6,909,894	$ 2,424,021

See accompanying notes to financial statements.

Supplemental disclosure:

During the year ended March 31, 1999, the Company entered into a capital lease having a fair value of $680,968 to finance the purchase of laboratory equipment. During the year ended March 31, 1998, the Company entered into a capital lease having a fair value of $82,966 to finance the purchase of office equipment. During the year ended March 31, 1997, the Company entered into a capital lease having a fair value of $140,726 to finance the purchase of office and computer equipment and software.

	Nine month period ended December 31,		Years ended March 31,		
	1999	1998	1999	1998	1997
	(unaudited)	(unaudited)			
Cash paid for: Interest	$ 46,471	$ 17,122	$ 34,076	$ 14,473	$ –
Non cash transactions:					
Acquisition of business (note 6)	$ –	$ –	$ –	$ –	$ (13,637,000)

See accompanying notes to financial statements.

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) Statement of cash flows

The Company has applied the new CICA accounting standard with respect to the presentation of cash flows on a retroactive basis.

(b) 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 each 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.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in securities that on acquisition have an initial term to maturity of three months or less.

(d) Investments

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

(e) 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

1. Significant accounting policies, continued

(e) Capital assets, continued

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

(f) 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.

(g) 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.

(h) Revenue Recognition

Revenue from the Company's collaborative arrangements including contract research payments and milestone payments are recognized on an accrual basis in accordance with the contractual arrangements 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.

(i) 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, 1999 (unaudited), March 31, 1999 and 1998, no development costs have been deferred.

(j) 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.

Information as at December 31, 1999 and
for the nine months ended December 31, 1999 and 1998 is unaudited.

1. Significant accounting policies, continued

(k) 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 (loss) 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, 1999
	Cost	Accumulated amortization	Net book value
			(unaudited)
Laboratory equipment	$ 2,331,995	$ 445,409	$ 1,886,546
Office equipment	374,542	111,620	262,922
Computer equipment	365,133	143,394	221,739
Computer software	141,017	49,999	91,018
Leasehold improvements	2,172,679	489,691	1,682,988
	$ 5,385,326	$ 1,240,113	$ 4,145,213

			March 31, 1999
	Cost	Accumulated amortization	Net book value
Laboratory equipment	$ 1,754,314	$ 202,218	$ 1,552,096
Office equipment	319,770	73,663	246,107
Computer equipment	286,159	92,587	193,572
Computer software	102,440	22,763	79,677
Leasehold improvements	1,516,411	219,125	1,297,286
	$ 3,979,094	$ 610,356	$ 3,368,738

2. Capital assets, continued

			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

Equipment held under capital leases at December 31, 1999 includes laboratory equipment with a cost of $622,073 (unaudited) (March 31, 1999 - $652,177; March 31, 1998 - $Nil), office equipment of $117,755 (unaudited) (March 31, 1999 - $148,792; March 31, 1998 - $107,440), computer equipment of $135,711 (unaudited) (March 31, 1999 - $135,393; March 31, 1998 - $114,658) and computer software of $17,052 (unaudited) (March 31, 1999 - $18,297; March 31, 1998 - $18,297). Amortization of equipment held under capital leases amounted to $301,509 (unaudited) (March 31, 1999 - $119,380; March 31, 1998 - $13,654).

3. Intellectual property and patents

Intellectual property and patents consist of:

	December 31,	March 31,	
	1999	1999	1998
	(unaudited)		
Intellectual property, at cost	$ 11,938,198	$ 11,938,198	$ 11,938,198
Less: Accumulated amortization	(7,834,431)	(6,155,625)	(3,917,217)
Write-down	(2,984,550)	(2,984,550)	(2,984,550)
	1,119,217	2,798,023	5,036,431
Patents	2,123,316	1,777,377	1,429,435
Less: Accumulated amortization	(370,116)	(262,789)	(157,640)
	1,753,200	1,514,588	1,271,795
	$ 2,872,417	$ 4,312,611	$ 6,308,226

4. Capital lease obligations

Minimum capital lease payments for calendar years subsequent to December 31, 1999 (unaudited) are:

2000	$	203,554
2001		196,253
2002		187,730
2003		160,605
2004		63,202
		811,344
Less: Amount representing interest at rates between 8.09% and 9.13% per annum		(122,608)
		688,736
Less: Current portion of capital lease obligations		(146,404)
	$	542,332

Minimum capital lease payments for fiscal years subsequent to March 31, 1999 are:

2000	$	212,124
2001		204,564
2002		195,993
2003		183,745
2004		156,321
Thereafter		25,578
		978,325
Less: Amount representing interest at rates between 8.09% and 9.13% per annum		(171,247)
		807,078
Less: Current portion of capital lease obligations		(152,716)
	$	654,362

5. Share capital

(a) Authorized

Unlimited common shares without par value

Unlimited preferred shares without par value

(b) Issued and outstanding

Common Shares	Number of Shares	Amount
Issue 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 placement	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 for cash 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 for cash on exercise of options	2,000	6,172
Issued for cash pursuant to exercise of warrants	187,500	727,266
Issued for cash pursuant to initial public offering (note 5(c))	5,000,000	30,500,000
Share issue costs	—	(3,034,723)
Outstanding, March 31, 1999	20,377,934	71,641,854
Issued for cash	6,333	31,268
Issued for cash on exercise of options	6,916	22,413
Issued for cash pursuant to exercise of warrants	959,972	4,205,330
Issued for cash (note 5(c))	160,000	976,000
Share issue costs	—	(103,508)
Outstanding, December 31, 1999 (unaudited)	21,511,155	$ 76,773,357

5. Share capital, continued

(c) Initial public offering

On March 5, 1999, the Company completed an initial public offering of 5,000,000 common shares at a price of $6.10 per share for total gross proceeds of $30,500,000, excluding an over allotment option granted to the underwriters to purchase up to an additional 750,000 common shares at the offering price for a period of 30 days following the date of closing. On April 9, 1999, the underwriters exercised the over allotment option, and subscribed for 160,000 common shares at a price of $6.10 per share for gross proceeds of $976,000.

(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 entitled the holder to receive additional shares of the Company without payment of further consideration if the Company sold common shares for less than $4.50 per share prior to or at an initial public offering by the Company. Upon the completion of the initial public offering on March 5, 1999, all price protection warrants expired.

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, 1999, the Company has 3,390,625 (unaudited) share purchase warrants outstanding (March 31, 1999 - 7,230,513; March 31, 1998 - 7,989,513). Each four warrants entitle the holder to purchase one common share at the following exercise prices:

		US $
Prior to December 31, 2000	$	3.50
Prior to June 30, 2001		4.00

The warrants expire on June 30, 2001. During the period ended December 31, 1999, 3,839,888 warrants were exercised to purchase 959,972 common shares at US $3.00 per share (unaudited) (year ended March 31, 1999 - 750,000 warrants 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.)

5. Share capital, continued

(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, 1999, the Company has granted options to purchase 1,602,250 (unaudited) (March 31, 1999 - 1,490,250; March 31, 1998 - 1,320,500) 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 CDN $7.00 per share which options expire between January 9, 2002 and November 15, 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, 1999 is 1,230,317 (unaudited) (March 31, 1999 - 786,500; March 31, 1998 - 347,000).

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

As at March 31, 1999, the Company has approximately $3,594,000 of research and development expenditures which can be carried forward indefinitely, unclaimed investment tax credits of approximately $988,000 expiring between 2007 and 2009, and non-capital losses of approximately $246,000 expiring in 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 $6,180,000.

The Company accounts for taxes using the deferral method and the potential tax benefits that may arise from the utilization of these amounts have not been recognized in these financial statements.

During the year ended March 31, 1999, the Company applied non-capital losses, net of timing differences, of $1,700,000 to reduce income for accounting purposes to $nil.

8. Related party transactions

During the reporting periods, the Company entered into certain transactions with Johnson Matthey Inc., a shareholder, and Johnson Matthey PLC, a related company. The expenses represent payments for patent costs and certain operational costs. The transactions are as follows:

	Nine month period ended December 31,	
	1999	1998
	(unaudited)	
Research and development, and general and administrative expenses	$ 1,532	$ 46,155

	Years ended March 31,		
	1999	1998	1997
Research revenues	$ –	$ –	$ 170,525
Research and development, and general and administrative expenses	$ 56,041	$ 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.

9. Collaborative agreements

(a) AstraZeneca Plc, ("AstraZeneca")

During fiscal 1999, the Company entered into a licensing agreement with an effective date of March 31, 1998 with AstraZeneca, for the worldwide development and commercialization of ZDO473, a third generation platinum compound developed by the Company. The Company transferred to AstraZeneca the right to use ZDO473 and the related technology. Under the terms of the agreement, the Company earned initial licensing revenue of US $6,000,000 in fiscal 1999 and may earn 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. AstraZeneca will assume responsibility for all costs for the development of ZDO473. The Company has supplied AstraZeneca with ZDO473 for initial clinical trials.

(b) 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 radiolabeled 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 make milestone payments and pay the Company royalties on net sales of agents in nononcology applications through Ortho.

(c) 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 anti-hyperphosphatemia 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.

(d) Other

The Company has established collaborative agreements with certain academic and corporate laboratories that provide resources and expertise which complement the Company's research and development program. Under some of 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, 1999 (unaudited), March 31, 1999 and 1998 no such royalties were payable under these contracts. Total committed expenditures under these contracts is approximately $618,000 (unaudited) at December 31, 1999 (March 31, 1999 - $460,000, March 31, 1998 - $600,000).

10. Commitments and contingencies

(a) The Company leases its premises under an operating lease which expires on January 31, 2007. Future minimum lease payments are as follows:

Year ending March 31,	2000	$	361,575
	2001		361,575
	2002		363,809
	2003		374,978
	2004		374,978
	Thereafter		879,429
		$	2,716,344

The Company has provided a security deposit of $475,000 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,	2001	$	125,000
	2003		100,000
	2005		150,000
	2007		100,000
		$	475,000

(b) 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 date 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.

11. Financial instruments and concentration of credit risk

For certain of the Company's financial instruments, including cash, cash equivalents, 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.

11. Financial instruments and concentration of credit risk, continued

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.

The Company purchases goods and services in both Canadian and U.S. dollars and earns a significant portion of its revenues in U.S. dollars. Foreign exchange risk is managed by satisfying foreign denominated expenditures with cash flows or assets denominated in the same currency and entering forward currency contracts and other financial derivatives to hedge exchange risk.

12. Segmented information

The Company operates in one industry segment which involves the research and development of metal based and metal binding therapeutics. All of the Company's operations, assets and employees are located in Canada. Revenues generated from licenses situated outside of Canada for the period ended December 31, 1999 totalled $247,894 (unaudited) (March 31, 1999 - $8,331,248; December 31, 1998 - $8,331,248 (unaudited); March 31, 1998 - $350,933 and March 31, 1997 - $440,205).

13. Subsequent events

(a) On February 8, 2000, the Company entered into an underwriting agreement for the purchase and sale of 1,500,000 special warrants at a price of $14.00 per special warrant. Each special warrant is exercisable into one common share at no additional consideration.

The proceeds of this offering to the Company of $19,345,000, net of the underwriting fee of $1,365,000 and estimated expenses of $290,000, will be held in trust until the last receipt is issued by the respective securities commissions for the Company's prospectus. The holders of the special warrants have a right of retraction if such a receipt is not issued by May 11, 2000.

(b) The Company issued 58,950 stock options with exercise prices ranging between $9.00 and $17.10, expiring on various dates up to February 18, 2010.

CERTIFICATE OF THE COMPANY

DATED: February 22, 2000

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the Securities Act (British Columbia), by Part VII of The Securities Act (Manitoba), by Part XV of the Securities Act (Ontario), by section 13 of the Securities Act (New Brunswick) 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 22, 2000

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the Securities Act (British Columbia), by Part VII of The Securities Act (Manitoba), by Part XV of the Securities Act (Ontario), by section 13 of the Securities Act (New Brunswick) 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.

BMO NESBITT BURNS INC.

By: (Signed) GRAEME N. FALKOWSKY

RBC DOMINION SECURITIES INC.

By: (Signed) JILL D. LEVERSAGE

CIBC WORLD MARKETS INC.

By: (Signed) CATHY R. STEINER

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:

BMO NESBITT BURNS INC.: a wholly-owned subsidiary of BMO Nesbitt Burns Corporation Limited, an indirect majority-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

CIBC WORLD MARKETS INC.: a wholly-owned subsidiary of a Canadian chartered bank.