

WARNEX PHARMA INC.Quarterly Report to Shareholders for the 1st Quarter Ended March 31, 2001**Warnex Pharma Inc
Consolidated Balance Sheet**

(Unaudited)

As at March 31	2001	2000
Assets		
Current		
Cash and short term deposits	\$ 2,516,713	\$ 38,686
Accounts receivable	737,896	480,715
Work in progress	135,453	-
Income taxes receivable	202,082	-
Prepaid expenses	4,916	4,838
	3,597,060	524,239
Capital assets	1,278,860	962,873
Trademarks	72,500	82,500
Goodwill	547,222	273,750
Organization costs	2,400	-
	\$ 5,498,042	\$ 1,843,362
Liabilities		
Current		
Bank loan	\$ 188,052	\$ 185,000
Accounts payable	1,011,761	509,311
Current portion of long term debt	136,205	99,996
	1,336,018	794,307
Loans Payable	253,083	250,000
Long term debt	452,185	216,672
	2,041,286	1,260,979
Shareholders' Equity		
Capital stock	5,449,265	1,307,744
Deficit	(1,992,509)	(725,361)
	3,456,756	582,383
	\$ 5,498,042	\$ 1,843,362

WARNEX PHARMA INC.Quarterly Report to Shareholders for the 1st Quarter Ended March 31, 2001

Warnex Pharma Inc**Consolidated Statement of Earnings and Deficit**(Unaudited)

For the three months ended March 31	2001	2000
Sales	\$ 807,769	\$ 602,936
Cost of goods sold	499,506	458,146
Gross margin	308,263	144,790
Selling, general and administrative expenses	397,369	199,239
Loss before the undernoted items	(89,106)	(54,449)
Research expenditures, Net of tax credits	172,204	-
Net loss	(261,310)	(54,449)
Deficit, beginning of period	(1,731,199)	(670,912)
Deficit, end of period	\$ (1,992,509)	\$ (725,361)

WARNEX PHARMA INC.Quarterly Report to Shareholders for the 1st Quarter Ended March 31, 2001**Warnex Pharma Inc**
Consolidated Statement of Cash Flows

(Unaudited)

For the three months ended March 31	2001	2000
Operations		
Net loss	\$ (261,310)	\$ (54,449)
Items not affecting cash		
Amortization	80,441	68,668
	(180,869)	14,219
Net change in non-cash working capital items		
Accounts receivable	(72,486)	(153,584)
Work-in-progress	(45,876)	-
Income taxes receivable	(11,234)	-
Prepaid expenses	8,344	6,908
Accounts payable	34,619	200,702
	(86,633)	54,026
	\$ (267,502)	\$ 68,245
Financing activities		
Decrease in bank loan	\$ (56,948)	\$ (75,000)
Loans payable,	150,000	250,000
Long-term debt	244,791	(24,999)
Proceeds from issue of capital stock	2,515,000	-
Long term accounts payable	-	299,224
	2,852,843	(149,223)
Investing activities		
Decrease in marketable securities	-	128,567
Acquisition of capital assets	(100,791)	(18,661)
	(100,791)	109,906
Increase in cash position	2,484,550	28,928
Cash position, beginning of period	32,163	9,758
Cash position, end of period	\$ 2,516,713	\$ 38,686