



ANNUAL INFORMATION FORM
For Fiscal Year Ended December 31, 2005

March 14, 2006

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Unless the context indicates otherwise, the use in this Annual Information Form of the terms “our”, “we”, the “Corporation”, and “Warnex” collectively refer to Warnex Inc. and barring contrary requirements or indications, to its subsidiaries.

USE OF CURRENCY

Unless otherwise indicated in this Annual Information Form, all dollar amounts refer to Canadian dollars.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Information Form are forward-looking and are subject to numerous risks and uncertainties, known and unknown. For information identifying known risks and uncertainties, relating to the early commercialization of Warnex products, intellectual property and licensing, R&D of new Warnex products, manufacturing and laboratory facilities, suppliers, key employees, key customers, financial resources and credit risk, government regulations, foreign currency risk and volatility of share price, and other important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements, please refer to the heading Risk and Uncertainties in the Corporation’s Management’s Discussion and Analysis for the year ended December 31, 2005, which can be found at www.sedar.com. Consequently, actual results may differ materially from the anticipated results expressed in these forward-looking statements.

GLOSSARY

This glossary contains general terms used in the discussion of the biopharmaceutical industry, as well as specific technical terms used in the descriptions of the Corporation’s technologies.

AOAC Research Institute – (“Association of Analytical Communities”) – The AOAC Research Institute is a subsidiary of AOAC INTERNATIONAL, a non-profit scientific organization dedicated to the development and validation of methods in analytical sciences and improving laboratory quality assurance procedures. The AOAC Research Institute administers the *Performance Tested Methods*SM Program, which independently validates laboratory testing methods.

CFIA – (“Canadian Food Inspection Agency”) – Canadian government agency that enforces the food safety and nutritional quality standards established by Health Canada and, for animal health and plant protection, sets standards and carries out enforcement and inspection.

Clinical trial – Organized study, with human volunteers or patients, designed to provide statistically relevant clinical data for determining the efficacy and safety of new therapeutic agents, diagnostics and medical devices.

Diagnostic – A test or procedure that can be either qualitative or quantitative and is designed to reveal the occurrence or amount of a specific substance, thus indicating the presence or severity of a disease or other pathological condition.

DNA – (“Deoxyribonucleic acid”) – The chemical basis for heredity and the carrier of genetic information for most forms of life.

Food and Drug Administration (“FDA”) – The government agency which regulates the manufacture, safety, use and efficacy of biologicals, drugs, cosmetics, medical devices, and food (except meat and poultry) in the United States.

Genetically Modified Organism (“GMO”) – An organism whose genetic makeup has been changed by any method including natural processes, genetic engineering, cloning, mutagenesis, or other.

HACCP – (“Hazard Analysis and Critical Control Points”) – Quality management system in the agri-food industry that aims at ensuring the quality of a product through the monitoring of specific critical points in the production process.

Microplate – A microplate, or low density array, is a plastic reaction vessel containing 96 wells, which is used with the Real-Time PCR. Warnex’s microplates contain all the chemistry required to carry out the detection of pathogens or Molecular Bar Codes.

MFLP – (“Microbiological Food Laboratory Procedure”) – Method of analysis for a specific pathogen that has been validated in at least one governmental laboratory and has been presented to the MMC for a thorough evaluation based on strict statistical analysis. MFLPs are published in Health Canada’s Compendium of Analytical Methods.

MMC – (“Microbiological Methods Committee”). – Committee that reviews and approves new microbiological testing methods in Canada for inclusion in the Compendium of Analytical Methods.

Molecular Bar Codes – A technology developed by Warnex consisting of DNA molecules on which specific information is encoded via the genetic code, such as the name of a supplier, a product or a lot number. Molecular Bar Codes can be added at any step of a manufacturing process to insure the complete traceability of a product.

Molecular beacon – DNA molecule that gives a pre-determined signal upon the detection of the target DNA in a diagnostic test. Can also be used for quantification.

Molecular marker – DNA sequence specific to an organism or a group of organisms.

Polymerase Chain Reaction (“PCR”) – An in vitro biochemical reaction that multiplies specific DNA sequences such as molecular markers.

Pathogen – Bacterial, viral or fungal microorganism capable of causing disease or death.

Platform technology – A technology that has broad applicability in terms of its potential uses.

Real-Time PCR – Real-time PCR monitors the fluorescence emitted during the reaction as an indicator of target DNA production during each PCR cycle (i.e. in real time) as opposed to endpoint detection.

Strip Tubes or Strips– Plastic reaction vessels containing 8 wells in a row, used with the PCR detection system. As an alternative to using a microplate, between one and twelve strips can be placed in a 96-place support rack, allowing for more flexibility in the number of samples tested. Strips can also be cut for use with fewer samples.

Taq Polymerase or Taq – A heat-stable enzyme which catalyzes the replication of DNA, used in PCR.

Therapeutic Products Directorate (“TPD”) – Health Canada’s Therapeutic Products Directorate is the Canadian federal authority that regulates pharmaceutical drugs and medical devices for human use.

1. CORPORATE STRUCTURE

Warnex was incorporated as Warnex Pharma Inc. by a Certificate of Incorporation issued pursuant to the provisions of the Canadian Business Corporations Act on January 4, 1996. The Articles of the Corporation were amended by a Certificate of Amendment issued on April 26, 1996, to increase the minimum number of Directors and to remove the private company provisions and the restrictions on share transfer. On June 14, 2001, the Corporation's Articles were further amended to change the name of the Corporation from Warnex Pharma Inc. to its current name and to change the location of the registered office of the Corporation from Calgary, Alberta, to Montreal, Quebec.

Warnex's head office, principal place of business and laboratories are located at 3885 Industriel Blvd., Laval, Quebec H7L 4S3. The Corporation's telephone number is (450) 663-6724 and its facsimile number is (450) 669-2784. Warnex's website is located at www.warnex.ca.

As of December 31, 2005, the Corporation's significant subsidiaries were as follows:

Name	Jurisdiction of Incorporation	% of Vote
Warnex Analytical Services Inc. ("Warnex Analytical")	Canada	100%
Warnex Research Inc. ("Warnex Research")	Canada	100%
Warnex Diagnostics Inc. ("Warnex Diagnostics")	Canada	100%
Warnex America Inc. ("Warnex America")	Delaware, USA	100%

2. GENERAL DEVELOPMENT OF THE BUSINESS

OVERVIEW

Warnex completed its junior capital pool offering in June 1996 with the initial objective to acquire and develop businesses in the pharmaceutical sector.

In May 1998, the Corporation acquired the assets of Les Laboratoires Biopharm Inc. and this transaction was considered the major transaction of the Corporation pursuant to the rules of the Alberta Stock Exchange (now the TSX Venture Exchange). These assets were the foundation for what is now Warnex Analytical. Warnex Bioanalytical Services was started internally in 2000 and grew organically. Through Warnex Analytical and Warnex's Bioanalytical division ("Warnex Bioanalytical"), we offer quality control services, method development and validation, contract R&D, and bioavailability and bioequivalence studies for clinical trials.

In 2000, Warnex acquired the Genevision technology and Warnex Research was formed to focus on the development of this DNA detection technology. The technology is currently being commercialized by Warnex Diagnostics for the detection of pathogens in food products, and offers numerous other potential applications such as the detection of GMOs and a traceability function using Molecular Bar Codes.

Warnex's Medical Laboratories division ("Warnex Medical Laboratories"), formerly Warnex's Clinical Services Division, was formed following the acquisition, in June 2004, of assets of the Clinical Laboratory division of Adaltis Inc., which provides human medical testing services.

Warnex provides funds and operational support to its divisions and subsidiaries in order to enhance their operations and, in the case of Warnex Research, to continue the research and development of the DNA detection technology platform.

THREE-YEAR HISTORY AND ACQUISITIONS

2003

The common shares of the Corporation were approved for listing on the Toronto Stock Exchange and began trading under the stock symbol "WNX" at the market opening on February 3, 2003.

Warnex received a favourable outcome from an inspection of its facilities performed by the FDA. The FDA reviewed and inspected Warnex's facilities including its analytical and bioanalytical laboratories and quality control systems.

The evaluation of the independent validations of Warnex's proprietary food safety tests for the detection of *Salmonella* and *Listeria monocytogenes* were completed and were granted MFLP status in Canada. Warnex entered into a collaborative agreement with Cincinnati, Ohio-based Q-Laboratories, Inc. to accelerate the process of receiving U.S. regulatory clearance by validating multiple Genevision pathogen detection tests, including one for *E. coli* O157.

Luc Lavigne joined Warnex as Vice President, Sales and Marketing of Warnex Diagnostics to lead the Corporation's marketing efforts in the commercialization of its technology. Dr. Yvan P. Côté joined Warnex as Vice President, Research and Development of Warnex Research. Warnex also formed a Scientific Advisory Board whose inaugural members were Dr. Pierre Belhumeur from the department of Microbiology and Immunology of the University of Montreal and Dr. Susan Harlander, President of BIORational Consultants, a U.S. consulting firm specialising in food and agricultural biotechnology issues.

In September 2003, Warnex announced its first customer for its Rapid Pathogen Detection System, Cardinal Meats Specialists Limited, a major manufacturer and marketer of high quality, portion-controlled meat products such as burgers and fully cooked pork ribs. In December 2003, Warnex announced that Plumrose USA Inc., a major manufacturer of high quality meat products, would begin using Warnex's technology in its Booneville, Mississippi facility.

2004

Warnex's food safety test for the detection of *E. coli* O157 was independently validated by the CFIA and subsequently became the third Warnex test to be granted MFLP status in Canada. Warnex also received important U.S. validations for its food safety tests. Tests for the detection of *E. coli* O157, *E. coli* O157:H7, *Listeria monocytogenes*, *Listeria* spp. and *Salmonella* spp. were granted *Performance Tested*SM status by the AOAC Research Institute. These tests give Warnex a significant U.S. portfolio of marketed tests for the three key pathogens that account for more than 60% of the target market.

Warnex Diagnostics concluded three distribution agreements for Europe:

- an agreement with Foss Italia to exclusively market and distribute the Warnex™ Rapid Pathogen Detection System in Italy. Foss Italia is a wholly owned subsidiary of Foss A/S (based in Denmark), a leading international provider of rapid and accurate analytical quality control solutions for the agricultural, food, pharmaceutical and chemical industries;
- an agreement with Don Whitley Scientific Limited (DW Scientific) to exclusively distribute and market the Warnex Rapid Pathogen Detection System in the U.K. Based in Shipley, West Yorkshire, U.K., DW Scientific is a leader in the development, production and distribution of instrumentation and associated products for microbiological applications;
- an agreement with AES Laboratoire, based in Bruz, France, to exclusively market and distribute the Warnex Rapid Pathogen Detection System in France, Germany, Spain, Belgium, the Netherlands, Luxembourg, Austria and Switzerland. AES Laboratoire is present in all of these markets and is one of the leading French manufacturers and suppliers of laboratory equipment, diagnostic tests and consumables for microbiological analysis in the food, pharmaceutical and veterinary industries.

Warnex signed a licensing agreement with IdentiGEN Ltd., based in Dublin, Ireland, to develop products incorporating IdentiGEN's proprietary know-how and Warnex's technology platform for the detection of GMOs and meat identification in food and feed products.

Warnex joined the Texas Science Partnership (TSP), a private-public service partnership managed by the Institute of Food Science and Engineering. The TSP offers participating companies the opportunity to collaborate with Texas A&M University scientists who conduct research in food technology. Warnex also joined the Campden & Chorleywood Food Research Association (CCFRA), based in Gloucestershire, UK, providing access to the expertise of world-class food scientists. The CCFRA is the UK's largest independent organization carrying out research and development for the agri-food industry worldwide.

Warnex added three world-class food safety experts to its Scientific Advisory Board: Dr. Roy P. Betts, Head of Microbiology at the U.K.-based Campden & Chorleywood Food Research Association (CCFRA), Dr. Michael P. Doyle, Regents Professor and Director of the Center for Food Safety at the University of Georgia, and Dr. Suresh D. Pillai, Director of the National Center for Electron Beam Food Research and Associate Director of the Institute of Food Science & Engineering at Texas A&M University.

Warnex Diagnostics signed up three new customers:

- Carolina Turkeys, one of the world's largest processors of turkey, based in North Carolina, USA;
- Gold Kist Inc., the third largest chicken producer in the U.S.; and
- West Liberty Foods, L.L.C., a leading manufacturer of ready-to-eat meats and a major supplier to corporations such as Subway, Denny's, and Wal-Mart.

In June 2004, Warnex issued \$6,845,000 of 7% convertible unsecured subordinated debentures to three institutional investors, led by Midsummer Investment Ltd., a New York-based fund that specializes in fixed-price premium convertibles. The debentures mature in June 2008 with interest payable quarterly. The principal amount is convertible into shares of Warnex at a conversion price of \$1.40. The investors also received 1,963,729 share purchase warrants, each warrant allowing them to purchase one common share at a price of \$1.50 per

share, for a period of 60 months following the date of closing. During the same month, Warnex also closed a \$5 million private placement of units. Each unit consisted of one common share plus half a common share purchase warrant, where each full common share purchase warrant entitles the holder to purchase one common share at a price of \$1.50 per share, for a period of 60 months following the date of closing. Pursuant to this private placement, 4,098,361 shares and 2,049,181 warrants were issued.

In June and August 2004, Warnex purchased the assets of the Clinical Laboratory division of Adaltis Inc. for a purchase price of \$3.45 million (\$2.4 million in cash and 860,656 common shares of Warnex, valued at \$1,050,000). Among the acquired assets, Warnex obtained the exclusive licence for the Prenatest® prenatal screening test, which enables pregnant women to find out if they are at risk of carrying a foetus that may be affected by Trisomy 21 (Down syndrome), Trisomy 18, and other anomalies relating to the closure of the neural tube. This acquisition constituted a complementary fit with our other service groups, expanding our range of services and representing our first foray into human clinical testing.

2005

Warnex launched two novel tests for use with the Warnex Rapid Pathogen Detection System. The first test detects *Campylobacter jejuni*, *C. coli* and *C. lari* in poultry rinses and the second is a one-step 24-hour test for *Listeria* species in environmental samples.

Warnex Diagnostics signed up nine new customers:

- Agropur Cooperative, Canada's largest dairy cooperative;
- Industrial Laboratories of Canada Inc., a commercial laboratory services organization based in Ontario, Canada;
- Dakota Provisions (formerly Dakota Turkey Growers LLC), based in South Dakota, USA;
- Laboratoires d'analyse S.M., a division of the S.M. Group International, acquired two Warnex Rapid Pathogen Detection Systems for their laboratories located in Sherbrooke and Varennes, Quebec;
- Gelda Scientific, a leading commercial laboratory based in Ontario, Canada;
- Marshall Durbin, one of the largest privately owned poultry companies in the United States, based in Alabama, USA;
- Lasher Laboratory of the University of Delaware, USA;
- Vanderpol's Eggs, Ltd., a leading egg producer based in British Columbia, Canada; and
- Amick Farms, a leading chicken producer based in South Carolina, USA.

Two existing customers of Warnex Diagnostics, Gold Kist Inc. and West Liberty Foods LLC, ordered a second Rapid Pathogen Detection System in order to increase their volume of tests. Warnex also announced that Santi & C. S.P.A., one of the world's largest manufacturers of Gorgonzola cheese, which purchased the Warnex Rapid Pathogen Detection System in late 2004, had completed the validation and intended to proceed with the broad implementation of the Warnex system in its production facilities.

In August 2005, Warnex announced that Luc Lavigne left the Corporation as Vice-President, Sales and Marketing of Warnex Diagnostics. In the interim, Mark Busgang, President and CEO of Warnex, assumed the responsibilities to ensure a smooth transition. In January 2006, Warnex announced that Erik Yelle joined the Corporation as Vice President, Sales and Marketing, of Warnex Diagnostics.

In September 2005, Warnex announced that Bio-Rad and MJ Research suspended the production and the sale of MJ Research PCR thermal cyclers in the United States. The Warnex Rapid Pathogen Detection System incorporates the MJ Research PCR thermal cyclers in its platform for performing proprietary pathogen detection tests. This suspension followed a U.S. Court injunction obtained by Applera Corporation, the parent of Applied Biosystems (ABI), against Bio-Rad Laboratories and MJ Research. On February 13, 2006, Warnex announced it was informed that ABI and Bio-Rad Laboratories/MJ Research have settled their dispute, thus permitting MJ Research to resume the manufacturing, sale and servicing of its PCR equipment in the United States. This situation did not impact Warnex Diagnostics sales since Warnex had sufficient PCR equipment in stock to meet customer demand and was able to adapt its tests to a PCR thermal cycler that was not covered by the injunction.

Warnex launched its new website www.prenatest.ca for its Prenatest[®] prenatal screening test available throughout the province of Quebec. This new website was part of Warnex's new marketing program for the Prenatest screening test, which also included an extensive radio advertisement campaign.

In November 2005, Warnex announced that Daniel Boulais, Senior Vice-President, Investments, Agri-Food, for the Société générale de financement du Québec ("SGF"), and Diane Lanctôt, President of Lanctôt Ltd. and member of SGF's Board of Directors, had recently joined its Board of Directors. They replaced Hubert Carrier, former Interim Group Vice President of SGF Soquia Inc., who had recently resigned as director of Warnex, and Denis Huard, President and General Manager of CDMV Inc., who did not present himself for reelection at the last Annual Meeting of Shareholders. Warnex also announced that Ms. Susan Harlander, President of BIORational Consultants, stepped down from the Scientific Advisory Board due to a new direction in her professional career.

In December 2005, Warnex completed a private placement of 2,996,975 common shares at a price of \$1.30 per share, for gross proceeds to Warnex of \$3,896,067.50. This placement was made through a syndicate of underwriters led by GMP Securities L.P. and including Fraser Mackenzie Ltd. and Loewen, Ondaatje, McCutcheon Ltd. Warnex had obtained an advance income tax ruling from Revenu Québec confirming that its common shares qualified under the SME Growth Stock Plan ("régime Actions-croissance PME"). The common shares issued in the private placement constituted eligible shares for purposes of the SME Growth Stock Plan, providing a 100% deduction for Quebec income tax purposes to eligible investors, provided certain conditions are met.

3. NARRATIVE DESCRIPTION OF THE BUSINESS

GENERAL

Warnex is a biotechnology company devoted to protecting public health by providing advanced diagnostic products and science-based services to the agri-food, pharmaceutical and healthcare sectors. The Corporation is organized around three areas of operation: (a) research, development and commercialization of our flagship DNA detection technology, (b) analytical and bioanalytical services for the biopharmaceutical industry, which consist of quality control services, method development and validation, contract R&D, and bioavailability and bioequivalence studies for clinical trials, and (c) specialized medical laboratory testing.

SOURCES OF REVENUE

The following table sets out, for each of the two most recently completed financial years, the revenues for each category of products and services.

Product/Service	2004	%	2005	%
Analytical services	4,544,250	36.5	6,046,950	33.1
Bioanalytical services	5,896,169	47.3	7,635,536	41.8
Medical testing	1,271,547	10.2	2,703,850	14.8
DNA detection technology	574,975	4.6	1,715,953	9.4

WARNEX'S DNA DETECTION TECHNOLOGY

Warnex's genomics-based technology offers a versatile detection platform, which produces accurate results rapidly, using Real-Time PCR technology combined with proprietary genetic markers and software. While we are currently concentrating our commercialization efforts on the detection of pathogens, our technology also offers a wide range of potential applications. They include applications for the detection of GMOs, viruses, yeasts and molds, as well as meat identification. Our technology also allows for the complete traceability of products through the use of our proprietary "Molecular Bar Codes", which can be used in wide ranging applications in quality control, industrial production management and forensic investigations.

The business activities relating to Warnex's proprietary DNA detection technology include research and development of the technology, sales and marketing of the Warnex Rapid Pathogen Detection System as well as the manufacturing of the pathogen test kits.

RESEARCH & DEVELOPMENT

Warnex's main research and development focus is on the Warnex Rapid Pathogen Detection System, an advanced diagnostic tool used to detect targeted organisms that threaten the food supply. Warnex has developed tests for the major pathogens currently tested for in the food industry: *Salmonella* spp., *Listeria* spp., *Listeria monocytogenes*, *E. coli* O157, *E. coli* O157:H7, as well as *Campylobacter jejuni*, *C. coli* and *C. lari* in poultry rinses and a 24-hour test for *Listeria* species in environmental samples. On February 20, 2006, Warnex announced the launch of a quantitative test for *Campylobacter* in poultry rinses within 3 hours, making it the first PCR-based test available to the food industry that quantifies the amount of *Campylobacter* present in a sample.

Warnex is also developing tests for other pathogens, such as *Shigella* and specific strains of *Salmonella* and continues efforts to enhance already developed tests to make them faster

and less labour-intensive. Efforts are also put into developing leading edge platforms such as multiplex real-time PCR.

The research group also continued several R&D projects to address the testing needs of the agri-food sector for agents such as yeasts and molds. In addition, Warnex is developing tests for the detection of GMOs, which represents a rapidly growing market. Other R&D activities focus on the development of meat identification kits, which is increasing in demand, due mainly to the occurrence of mad cow disease. Evidence shows that mad cow disease is spread when infected animal by-products are used as protein supplements in animal feed (CFIA, 2005). These new assays are in the final stages of development, with releases on the market expected for 2006. In the longer term, R&D activities will address food-borne viruses, which are believed to be the most common cause of food-borne illnesses (U.S. Centers for Disease Control and Prevention (CDC), 1999).

To accelerate the development of the various DNA detection tests, Warnex collaborates internationally with scientists from government and academia. Warnex has joined the Texas Scientific Partnership (U.S.) and the Campden and Chorleywood Food Research Association (U.K.) to gain access to the expertise of world-class food scientists.

The Corporation conducts the majority of its research and development activities through its own facilities and personnel, comprised over 20 genomic scientists.

The research group is also supported by Warnex's Scientific Advisory Board, which includes world-renowned authorities on food safety who provide expert advice and guidance on the orientation of research and development activities of the Corporation. The members of the Scientific Advisory Board are: Dr. Pierre Belhumeur from the Department of Microbiology and Immunology at the University of Montreal; Dr. Roy P. Betts, Head of Microbiology at the U.K.-based Campden & Chorleywood Food Research Association (CCFRA), Dr. Michael P. Doyle, Regents Professor and Director of the Center for Food Safety at the University of Georgia, and Dr. Suresh D. Pillai, Director of the National Center for Electron Beam Food Research and Associate Director of the Institute of Food Science & Engineering at Texas A&M University.

Warnex's strategy is to finance its research and development activities through cash flow and tax credits. In fiscal year 2005, \$2.4 million was invested in research and development.

WARNEX RAPID PATHOGEN DETECTION SYSTEM

One of the critical issues facing society today is food safety and protection from a microbiological perspective. According to CDC 1999 statistics, food-borne diseases cause an estimated 76 million illnesses and 5,000 deaths each year in the United States. Every year, the agri-food industry has had food recalls in the millions of pounds (USDA, 2003).

The Warnex Rapid Pathogen Detection System is a state-of-the-art quality control diagnostic system that replaces traditional time-consuming microbiology. Traditional microbiology techniques can take up to 7 days to yield results while the Warnex technology detects pathogens in 3 to 48 hours. As the DNA signature of each pathogen is unique, the detection of a pathogen is highly specific and accurate. Using Real-Time Polymerase Chain Reaction (PCR) technology, the Warnex system provides two levels of specificity, through the use of DNA primers and molecular beacons. In addition, while traditional microbiology techniques allow the identification of a single pathogen per test, our system allows for the simultaneous detection of multiple pathogens during a single run, with tests for *Salmonella* spp., *Listeria* spp., *Listeria monocytogenes*, *E. coli* O157, *E. coli* O157:H7 and *Campylobacter* currently on

the market.

Since maintaining a pathogen monitoring program is extremely complex in the agri-food sector, we are committed to providing our clients with a comprehensive solution tailored to their needs. A unique feature of our system is our proprietary software, Sentinel, which controls the testing instrument and automatically analyzes test results, prints a customized Certificate of Analysis and distributes test results electronically to key decision makers. In addition, instead of offering only a single test format, microplates or strip tubes may be adapted to the specific pathogens of concern, lot structure and production system of each client.

As part of our commitment to provide clients with a complete pathogen testing system, Warnex delivers to the client a turnkey laboratory solution complete with all the necessary equipment along with the validated pathogen detection tests. A Warnex application specialist then installs the equipment and provides a comprehensive training program to the client's personnel. Warnex also provides customer support to address any technical difficulties the client may encounter.

MANUFACTURING

The Warnex Rapid Pathogen Detection System has three major components: a) the Real-Time PCR instrument; b) the Warnex software, which analyses and produces test results, and c) the Warnex pathogen detection kits, which include the DNA extraction reagents and the microplates or strip tubes. Each well of a microplate or strip contains the molecular markers, molecular beacons and the chemical and enzymatic components necessary to complete a PCR reaction. Warnex sells the required equipment to set up a molecular diagnostic laboratory at a client's manufacturing site. Warnex produces the Sentinel software and manufactures in-house the microplates and strips as well as the DNA extraction reagents included in the pathogen detection kit.

In 2003, Warnex Diagnostics built a manufacturing facility for the microplates and DNA extraction system, located in Warnex's primary facility in Laval. The manufacturing facility occupies approximately 2,000 sq. ft. and can produce approximately 10 million tests per year.

The manufacturing facility completed validation of its air handling and manufacturing equipment in the fall of 2003, which was followed by a technology transfer from research to production of the Warnex pathogen detection kits. Commercial production commenced in October of 2003.

The main material required for the manufacturing of our kits is Taq polymerase, and the main equipment for performing pathogen tests are Real-Time PCR instruments. Warnex currently purchases the Taq required for the development of our kits from one supplier, but Taq is available from other companies as well.

Warnex sources the Real-Time PCR instruments for resale to its customers from one supplier, Bio-Rad Laboratories and its subsidiary, MJ Research, however, our kits may be adapted to various Real-Time PCR instruments. In September 2005, Warnex announced that BioRad Laboratories and MJ Research suspended the production and the sale of MJ Research PCR thermal cyclers in the United States. This suspension followed a US Court injunction obtained by Applera Corporation, the parent of Applied Biosystems (ABI), against Bio-Rad laboratories and MJ Research. On February 13, 2006, Warnex announced it was informed that ABI and Bio-Rad/MJ Research have settled their dispute, thus permitting MJ Research to resume the manufacturing, sale and servicing of its PCR equipment in the United States. Warnex sales

were not impacted by this injunction, since Warnex had sufficient PCR equipment in stock to meet customer demand and had also successfully validated its tests on Bio-Rad Laboratories' Mini-Opticon, a PCR thermal cycler not covered by the injunction, and offered this PCR equipment to its customers.

MARKET FOR THE TECHNOLOGY

The market for pathogen detection in the agri-food industry is substantial. The Corporation estimates that the market for microbiology tests is worth \$5 billion, of which \$2 billion is dedicated to pathogen testing in food. The testing market for pathogens is influenced by new regulatory requirements for additional testing, the ongoing implementation of HACCP standards, the discovery of new bacteria as well as the testing for specific species and finally, by the need for large multinational companies to reduce the risk of recalls that could result in damage to a branded product as well as legal and other costs.

Potential users of the technology are third party laboratories, which conduct quality control testing, and laboratories located on site at major food manufacturers. The Corporation estimates that over 80% of all pathogen detection is performed on site. A key element in the success of our marketing effort is the ability of the Warnex technology to be deployed on site and to be used by laboratory technicians as opposed to highly-trained scientific personnel.

The Corporation estimates that there are approximately 6,000 potential users of our pathogen detection technology in North America.

While some of our clients' businesses are cyclical or seasonal, due, for instance, to higher sales of ground beef during the summer barbeque period, or higher sales of turkeys during the Thanksgiving holiday, considering the broad range of customers and the vast geographical market, we do not anticipate our business as a whole to be cyclical or seasonal. In addition, we do not anticipate that we will be substantially dependant upon one or a few large customers.

The market for our Molecular Bar Codes will range from forensic applications such as labelling of branded products to reducing losses from counterfeiting to the tracing of a food or pharmaceutical product during the production cycle.

COMPETITION

The current market for food-borne pathogen diagnostic tests can be divided into traditional microbiology methods and "rapid" methods, which are either faster or easier to use compared to the traditional methods. Currently, traditional methods dominate the agri-food diagnostic market, with over 60% of the market (Strategic Consulting Inc., 2004); however, rapid-type methods are gaining acceptance in this sector. In the near-term, major competition for the Warnex technology will come from the traditional microbiology market and other rapid technologies using DNA or antibodies. The Corporation believes that none offer the versatility and specificity of the Warnex technology.

MARKETING PLAN

The marketing plan of Warnex Diagnostics aims to develop the North American and European markets, using a distinct approach for each of these markets.

Warnex Diagnostics sells directly to users in both Canada and the United States. In order to facilitate penetration of the market, the Corporation is using an agent, CBJ Consulting, and employs five (5) account representatives.

To develop the European market, the Corporation concluded several distribution agreements in 2004 with partners having an expertise in the marketing of traditional microbiology products and other rapid tests. Foss Italia, a wholly owned subsidiary of Foss A/S (based in Denmark), a leading international provider of rapid and accurate analytical quality control solutions for the agricultural, food, pharmaceutical and chemical industries, exclusively distributes our pathogen detection system in Italy. Don Whitley Scientific Ltd., a leader in the development, production and distribution of instrumentation and associated products for microbiological applications, distributes our product in the United Kingdom. Finally, AES Laboratoire, based in France, markets the Warnex system in France, Germany, Spain, the Benelux countries, Austria and Switzerland. AES Laboratoire is one of the leading French manufacturers and suppliers of laboratory equipment, diagnostic tests and consumables for microbiological analysis in the food, pharmaceutical and veterinary industries.

OTHER RESOURCES

The Corporation also intends to continue its efforts in increasing its visibility by means of advertising campaigns in specialized magazines such as “Food Quality” and “Food Safety”. In addition, it will continue to perform mailings to potential clients and will actively participate in various special events, such as the IFT (Institute of Food Technologists) and IAFP (International Association for Food Protection) conferences, which will expose our products to potential clients in our target industry.

The Corporation has developed a wide portfolio of bacterial pathogen assays for the Warnex Rapid Pathogen Detection System, and is continuing the development of new tests to address the risk posed by other bacterial pathogens as well as food-borne viruses. Once customers have adopted the Warnex technology for use in pathogen detection, the business development group will introduce them to other applications coming out of the research pipeline, such as tests for GMOs and viruses, or the system’s traceability function. This will enhance the value for our customers since they will be able to add these features for little additional cost while providing significant additional information for quality control management.

INDEPENDENT VALIDATIONS

Methods of analysis, unlike drugs or medical devices, do not require regulatory approval to be offered for sale. Instead, an independent validation must prove that the performance of a kit meets or exceeds claims, and the results of those validations are presented to various organisations (such as MMC or AOAC) for inclusion of the method in the various compendia. The independent validation process is relatively simple when compared to the pharmaceutical regulatory approval process.

In 2003, Warnex Diagnostics obtained MFLP status in Canada for its *Salmonella* spp., *Listeria monocytogenes* and *E. coli* O157 kits and they appear in the Compendium of Analytical Methods. The decision to grant “Laboratory Procedure” status by the MMC, Health Canada, was based on a thorough validation of each of the test kits, performed by the CFIA.

In 2004, Warnex tests for *Salmonella* spp., *Listeria* spp., *Listeria monocytogenes*, *E. coli* O157 and *E. coli* O157:H7 were granted *Performance Tested*SM status by the AOAC Research Institute, a non-profit international scientific organization that validates laboratory

testing methods. Within this program, a third-party review showed that the Warnex tests detected the targeted pathogen as well as or better than traditional culture methods. The *Performance Tested Method*SM status assures users that the test kit performs as claimed. These validated tests give Warnex Diagnostics a significant U.S. portfolio of marketed tests for the three key pathogens that account for more than 60% of our target market.

INTANGIBLE PROPERTIES

Warnex has filed patent applications for the molecular markers for the detection of foodborne pathogens as well as for its unique Molecular Bar Code technology. The Corporation intends to file the appropriate patents on a regular basis in order to adequately protect its intellectual property.

The molecular beacon technology which forms part of the Warnex technology is sold under licence from the Public Health Research Institute (PHRI) and may be used under PHRI patent rights for food testing.

The application or use of the Warnex technology, or of any portion of the technology, may be subject to other third party rights and the use of PCR processes may be covered by patents owned or licensed by third parties in certain countries, for which a licence may be required. Warnex has and continues to enquire on the necessity and availability of different PCR-related licences.

The ownership of any intellectual property is protected through employment agreements with Warnex's employees. These agreements contain clauses that assign patent and invention ownership rights to Warnex and require confidentiality, non-disclosure and non-competition.

WARNEX ANALYTICAL AND BIOANALYTICAL SERVICES

Warnex Analytical provides consulting and analytical services in chemistry, microbiology and chromatography to the pharmaceutical, biotechnology and cosmetics industries. We perform a wide variety of quality control tests on raw materials as well as finished products; offer a full range of ICH stability conditions and provide total stability management; develop and validate new methods; revalidate existing methods to ensure compliance with current regulatory requirements and perform technology transfers.

Following audits by the FDA and TPD, Warnex Analytical Services remains in good standing on all matters of Good Laboratory Practices (GLP) and current Good Manufacturing Practices (cGMP).

Warnex Bioanalytical provides services to pharmaceutical and biotechnology companies globally. A scientific team of specialists in research and development, method development and validation, production, and quality assurance, use state-of-the-art equipment and the latest techniques to develop highly exacting analytical methods that are validated in accordance with the highest standards imposed by both the FDA and the TPD. Warnex Bioanalytical supports companies in their drug development programs by carrying out analyses generated throughout the program, beginning with pre-clinical studies and proceeding with evaluation of the drug in human clinical trials. Support to the generic drug industry is provided by analyzing physiological fluid samples obtained from studies in humans to determine whether the new formulations are bioequivalent to the marketed product.

MARKET

In 2004, the biopharmaceutical industry spent US\$49.3 billion on drug research and development in the United States alone (Pharmaceutical Research and Manufacturers of America, 2005). In Canada, the brand-name pharmaceutical industry spends about \$1 billion annually on R&D, of which 65% goes to clinical research (Industry Canada, 2002). The market for the outsourcing of contract research, which represents the market for Warnex Bioanalytical, is growing. In addition, the generic drug industry is experiencing a strong growth, with US\$84 billion worth of blockbuster drugs losing patent protection by 2008 (Datamonitor, 2003). We anticipate this will increase the demand for bioanalytical services in upcoming years.

Warnex Analytical's most important customer accounted for 36.3% of sales in 2005. This customer has remained Warnex Analytical's largest customer since 1998 and we consider that our relationship with this important customer is good. Warnex Analytical is not substantially dependant upon any supplier in order to carry on its business.

Warnex Bioanalytical's main customer accounted for 50.5% of this division's revenues in 2005. This customer has remained Warnex Bioanalytical's largest customer since 2001 and we consider that our relationship with this important customer is good. Warnex Bioanalytical is not substantially dependant upon any supplier in order to carry on its business.

COMPETITION

Warnex Analytical competes with companies such as Nucro Technics, a private company located in Toronto, Ontario; K.A.B.S. Laboratories Inc., a private company located in Saint-Hubert, Quebec and MDS located in Blainville, Quebec. Warnex Bioanalytical competes with companies such as MDS Inc., a provider of clinical research and bioanalytical testing, SFBC International Inc. and Algorithme Pharma all of which are providers of clinical and bioanalytical laboratory services.

Considering the size of the North-American market, of which we have a very small share, and the expected growth in the bioanalytical market, we do not consider competition as an important threat in maintaining our current business and expanding our customer base.

WARNEX MEDICAL LABORATORIES

Warnex Medical Laboratories was created in 2004 with the acquisition of the assets of Adaltis Inc.'s Clinical Laboratory Division. Warnex Medical Laboratories provides specialized laboratory testing services to the healthcare sector and constitutes our first entry into the field of human medical testing.

Warnex Medical Laboratories' revenues are mainly derived from two tests: the Prenatest[®] prenatal screening test, which enables pregnant women to find out if their risk of carrying a foetus that may be affected by Trisomy 21 (Down syndrome), Trisomy 18, and other anomalies relating to the closure of the neural tube, as well as a test for bioavailable testosterone, used for the evaluation of andropause (or male menopause).

The Prenatest method is relatively simple, and, contrary to amniocentesis, does not pose any danger to the mother and foetus. It is performed by taking a few drops of blood from the tip of the expectant mother's finger combined with an ultrasound, which measures the foetus' nuchal translucency. This test is usually performed during the first or second trimester, with respective detection rates of 90% and 75-80%.

The bioavailable testosterone test is a relatively new diagnostic test recommended for male patients in evaluating a condition known as andropause. This test measures the amount of bioavailable testosterone, the biologically active form of testosterone, in human serum. Andropause is caused by a decrease in hormone with age, which plays a direct role in various physiological changes, including muscle strength, bone density and body composition.

Warnex Medical Laboratories also develops innovative assays and refines existing diagnostic tests to produce assays with greater clinical value and relevance for reliable and cost-effective patient assessment and management. With our growing array of tests, Warnex Medical Laboratories is focused on establishing a pre-eminent role in providing specialized laboratory testing services in Quebec. We perform testing in a wide range of clinical specialties, including: immunology, cardiology, endocrinology, gastroenterology, genetics, infectious diseases, obstetrics/gynecology, and oncology.

MARKET

In 2004, there was a total of 74,200 births in the province of Quebec (Institut de la Statistique du Québec). We estimate our market potential for the Prenatest prenatal screening test to be close to 35,000 tests, more than 2.8 times the number of Prenatest tests actually performed in 2005. In the Province of Ontario, where prenatal screening tests are offered and paid for by the Government of Ontario, approximately 50% of pregnant women choose to have this type of test (Summers, A.M., et al. 2003).

COMPETITION

The traditional method for determining if a foetus is affected by the most common birth anomalies is the amniocenteses. This test is performed by the insertion of a needle through the abdomen to withdraw amniotic fluid from the uterus. While the results of this method have a high rate of accuracy, the test entails a risk of causing a miscarriage. The Prenatest screening test and amniocentesis do not compete directly. A patient can have a risk assessment done using the Prenatest method and, upon consultation with her physician, may elect to proceed to an amniocentesis. The Prenatest method, in turn, is safe for the mother and foetus. The results of the tests are available within one week, while those of the amniocentesis usually require a minimum of four weeks. The Prenatest screen's retail price is \$210, much lower than the \$750 for amniocentesis.

MARKETING PLAN

The Prenatest screening test is offered in the province of Quebec under an exclusive five-year licensing agreement with NTD Laboratories, Inc., a company based in New York. The licensing agreement will expire in 2009.

In addition to direct marketing made to gynecologists by a Warnex representative, we have launched a new website (www.prenatest.ca) for our Prenatest prenatal screening test as well as performed an extensive radio advertisement campaign in the fall of 2005. In addition, in 2004, we concluded an agreement with Fetal Medecine International, who provides a web-based education program to facilitate Nuchal Translucency measurement training.

Warnex Medical Laboratories' largest customer accounted for 43% of its revenues in 2005. Warnex has a five-year exclusive contract with this customer, which expires in 2009, with the possibility of renewal for two additional years.

TRADEMARKS

The Corporation has filed for the registration of its trademark "Warnex" in all its major current and potential markets. "Prenatest" is a registered trademark of Warnex in Canada. The Corporation's strategy is to apply for trademarks whenever appropriate.

FACILITIES

The Corporation leases a 44,000 sq. ft. facility at 3885 Industriel Boulevard in Laval, Quebec, which includes its offices and laboratories. The initial term of the lease expires in June 2006 and the Corporation has exercised an option to renew the lease for five years, up to June 30, 2011. Thereafter, the Corporation has an option to renew the lease for an additional five-year period.

ENVIRONMENT

Warnex generates a very small amount of hazardous waste that is disposed of by certified third-party carriers. We believe that compliance with environmental regulations has no material impact on capital expenditures, earnings or our competitive position.

HUMAN RESOURCES

The Corporation has 192 full-time employees. 123 are employed in Warnex Analytical and Bioanalytical, 9 in Warnex Medical Laboratories, 41 in our DNA Detection Technology divisions and 19 in the corporate offices.

Warnex Analytical employees are represented by a union. The contract was renewed in 2003. The salary provisions will be renegotiated in the first half of 2006. The Corporation has not had any labour-related work stoppages during the preceding five years.

Warnex's management team has experience in the fields of genomics, chemistry, microbiology, finance and administration, sales and marketing, as well as in the management of public companies.

Additionally, specialized marketing consultants have been hired to develop and implement various aspects of the long-term development plan of the Corporation. The Corporation expects to continue to expand its labour force during 2006.

FOREIGN OPERATIONS

For the year ended December 31, 2005, approximately 40% of Warnex's revenues were from outside Canada, mainly the United States. Warnex's costs are mainly in Canadian dollars.

Warnex is exposed to currency fluctuations; however, most of our U.S. revenues are currently derived from Warnex Bioanalytical, which usually performs contracts of a duration of three months.

REORGANIZATION

In May 2004, all of the assets and liabilities of Warnex Bioanalytical Inc. were transferred into Warnex Inc. In July 2004, Warnex Bioanalytical Inc. changed its corporate name to 3756734 Canada Inc.

RISK FACTORS

The business conducted by the Corporation involves numerous risks and uncertainties. The main risk factors and uncertainties facing the Corporation are disclosed in the "Risk and Uncertainties" section of the Corporation's Annual Report for the year ended December 31st, 2005, which is incorporated herein by reference, as supplemented from time to time in the "Risk Factors and Uncertainties" section of the Corporation's quarterly reports to shareholders. These risks and uncertainties should be considered in conjunction with the other information included in this Annual Information Form.

4. MANAGEMENT DISCUSSION AND ANALYSIS

Please refer to the 2005 Management's Discussion and Analysis filed on SEDAR, which is incorporated herein by reference.

5. DIVIDEND POLICY

The Corporation has not paid any dividends on its common shares. Since we intend to retain future earnings to finance the development of our business, we do not anticipate paying any dividends in the near future. Any decision to pay dividends in the future will be based on the Corporation's earnings and financial requirements and other factors that the Board of Directors may consider appropriate under the circumstances.

6. GENERAL DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of the Corporation consists of an unlimited number of common shares and an unlimited number of preferred shares, without nominal or par value. As of December 31, 2005, 51,973,875 common shares and no preferred shares were issued and outstanding.

The following is a summary of the material provisions concerning the various classes of shares of our authorized share capital and is subject to the complete text of the rights, privileges, conditions and restrictions attached to these shares.

COMMON SHARES

VOTING RIGHTS

Each common share entitles its holder to one vote.

DIVIDENDS

The holders of common shares are entitled to participate in any dividend which may be declared, subject to the rights, privileges, restrictions and conditions attached to the preferred shares.

LIQUIDATION

The holders of common shares shall be entitled to share pro rata in any distribution of the assets of Warnex in the event of liquidation, dissolution or winding up of the Corporation or other distribution of the assets of the Corporation among shareholders. Such participation is

subject to the rights, privileges, restrictions and conditions attached to the preferred shares of the Corporation.

PREFERRED SHARES

Preferred shares may be issued from time to time in one or more series, the terms of each series including the number of shares, designation, rights, privileges, restrictions and conditions to attach to the preferred shares of each series to be determined by the directors of the Corporation without shareholder approval, provided that all preferred shares will rank, with respect to dividends and distribution of assets in the event of liquidation, dissolution, winding-up or other distribution of assets of Warnex among shareholders for the purpose of winding-up its affairs, in priority to common shares and provided that they may also be given such other preferences over the common shares and any other shares of the Corporation ranking junior to the preferred shares as may be fixed by the resolution of the directors of the Corporation as to the respective series authorized to be issued. The preferred shares of each series shall rank on a parity with the preferred shares of every other series with respect to priority in the payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding up of the Corporation.

7. MARKET FOR SECURITIES

The common shares of the Corporation are listed for trading on the Toronto Stock Exchange under the trading symbol WNX.

TRADING PRICE AND VOLUME

The following table sets out the price ranges and volume of trade of Warnex's common shares on the Toronto Stock Exchange during 2005.

Month	High \$	Low \$	Volume
January	1.15	1.07	781,847
February	1.18	1.00	584,640
March	1.20	1.06	3,993,159
April	1.38	1.06	2,134,228
May	1.32	1.15	737,350
June	1.23	1.05	530,900
July	1.34	1.11	597,707
August	1.30	1.17	476,709
September	1.20	0.98	640,268
October	1.10	0.93	501,236
November	1.26	0.96	925,262
December	1.10	1.01	547,145

8. DIRECTORS AND EXECUTIVE OFFICERS

DIRECTORS

The following table sets forth each director's name, province or state and country of residence, his principal occupation, the year in which he or she first became a director, and the number of shares of the Corporation beneficially owned, directly or indirectly, or over which control or direction was exercised by each director as at March 14, 2006. Directors are elected until the next annual meeting of shareholders; the directors who are candidates for re-

election at such annual meeting are set out in the Corporation's Management Proxy Circular dated March 14, 2006.

Name and Province or State and Country of Residence	Position within the Corporation	Principal Occupation	Year of Nomination as a Director	Number of Shares of the Corporation
Richard Laferrière Quebec, Canada	Chairman of the Board	President and Chief Executive Officer, FRV Media Inc.	1996	750,000
Mark J. Busgang Quebec, Canada	President and Chief Executive Officer and Director	President and Chief Executive Officer, Warnex Inc.	1998	5,499,400
Terrance Mailloux Quebec, Canada	Director	Chairman of the Board and Chief Executive Officer, Glucogenics Pharmaceuticals Inc.	1998	45,000
Warren H. Haber New York, United States	Director	Chairman of the Board and Chief Executive Officer, Founders Equity Inc.	1998	257,500
Louis Lacasse Quebec, Canada	Director	President, Genechem Management Inc.	1998	45,000
Hubert Marleau Quebec, Canada	Director	President, Palos Capital Corporation	2000	74,000
Dr. Jacques Gagné Quebec, Canada	Director	Consultant	2001	Nil
Dr. Marc Lussier Quebec, Canada	Director	Vice President, Operations, HemaX Genome Inc., Chief Executive Officer, Estracure Inc.	2002	Nil
Diane Lanctôt ⁽¹⁾ Quebec, Canada	Director	President, Lanctôt Ltd.	2005	Nil
Daniel Boulais ⁽¹⁾ Quebec, Canada	Director	Senior Vice-President, Investments, Agri-Food, Société générale de financement du Québec	2005	Nil

(1) Diane Lanctôt and Daniel Boulais joined the Corporation's Board of Directors in November 2005.

Following are brief biographies of Warnex directors:

Richard Laferrière – Mr. Laferrière has been Chairman of the Board of the Corporation since 1996. Since December 1998, Mr. Laferrière has been President and Chief Executive Officer as well as Director of FRV Media Inc. Between 2001 and September 2005, he was successively President and Chief Executive Officer as well as Chairman of the Board of Directors of GlobeeCom International Inc. (Fiberoptic One Inc.). In September 2005, Mr. Laferrière joined the Board of Directors of Extenway Solutions Inc., where he serves as Chairman of the Board since November 2005.

Mark J. Busgang – Mr. Busgang has been President and Chief Executive Officer of the Corporation since February 1998. From 1993 to 1996, he was President and Chief Executive Officer of Pharmetics Ltd. and Vice President of Operations of Theratechnologies Inc. He presently serves as a Director of GC-Global Capital Corp. and as Chairman of the Board of Directors of Mistral Pharma Inc.

Terrance Mailloux – Mr. Mailloux has been Chairman and Chief Executive Officer of Glucogenics Pharmaceuticals Inc. since 1997.

Warren H. Haber – Mr. Haber co-founded Founders Equity Inc. in 1969 and has served as its Chairman and Chief Executive Officer since then. He presently serves as a Director of CoStar Group, Inc. (NASDAQ) and several privately held companies and affiliates of Founders Equity. Mr. Haber also serves on the Board of Advisors of Columbia University's Mailman School of Public Health and the Board of trustees of LEDA (Leadership Enterprise for a Diverse America).

Louis Lacasse – Mr. Lacasse has been President of Genechem Management Inc., the management arm of Genechem Technologies Venture Fund L.P., since May 1997. Mr. Lacasse is currently a Director of several companies including Axcan Pharma Inc., Chromos Molecular Systems Inc., Methylgene Inc., Targeted Genetics Inc. and several private companies.

Hubert Marleau – Mr. Marleau has been President of Palos Capital Corporation since May 1998. Mr. Marleau is currently a Director of the following publicly traded companies: Gobimin Inc., Canalaska Ventures Ltd., Contact Image Corp., Malette Industries, GC – Global Capital Corp., Freegold Ventures Ltd., Global Developments Resources, Inc., Huntington Exploration Inc., Knowlton Capital Inc., Magistral Biotech Inc., Maudore Minerals Ltd., Mitec Telecom Inc., Niocan Inc., Normabec Mining Resources Ltd., ORTHOsoft Holdings Inc., Plexmar Resources Inc., South Malartic Resources and Uni-Select Inc.

Dr. Jacques Gagné – Dr. Gagné is a former Professor (1972 to 2002) and Dean (1982 to 1990) of Pharmacy at Université de Montréal. Since April 2001, Dr. Gagné serves as a consultant to several companies in the biotechnology and healthcare fields. Among others, he is Chairman of the Québec Biotechnology Innovation Center (QBIC), President of Prix Galien Canada and Vice President of the "Fond d'assurance responsabilité de l'Ordre des pharmaciens du Québec". Dr. Gagné is also a Director of GlobeeCom International Inc. (formerly Fibreoptic One Inc.) and Mistral Pharma Inc.

Dr. Marc Lussier – Dr. Lussier presently serves as CEO of Strida Pharma Inc. and is Scientific Director of the Procure Prostate Cancer Biobank. From 2002 to 2005, he served as Vice-President, Operations at HemaX Genome Inc. and CEO of Estracure Inc., two Montreal based biopharmaceutical companies. In 2002, he co-founded the "Fromagerie de l'Alpage" cheese factory, where he is involved in its operations and serves as a Director. From 1998 to 2001, he was principal founder and COO of Mycota Biosciences Inc., later acquired by Elitra Pharmaceuticals Inc. Dr. Lussier holds a Ph.D. in molecular biology and worked as a postdoctoral fellow in the Biology Department of McGill University from 1990 to 1995 where he later became director of the Yeast Genome Laboratory. He is also an independent Director of Lab-Bell Inc. and a Director of Black Point Capital Inc.

Diane Lanctôt – Since 1981, Ms. Lanctôt has been President of Lanctôt Ltd., a company which specializes in the design, production and distribution of sports clothing and other products, as well as the distribution of ophthalmic frames and sunglasses. Ms. Lanctôt is also a member of the Board of Directors of the Société générale de financement du Québec.

Daniel Boulais – Mr. Boulais has been the Senior Vice President, Investments, Agri-Food, for the Société générale de financement du Québec (“SGF”) since 2005. Prior to joining SGF, he was President and Chief Operating Officer, from 2001 to 2004, and Vice President Marketing, Research and Development and International Sales, from 1999 to 2001, of Saputo’s Bakery Division. From 1979 to 1999, he held various positions within major food companies, including Culinar, Pepsi-Cola Canada, Nestle Enterprises Ltd., and Canada Packers.

COMMITTEES OF THE BOARD

The table below lists the committees of the Board of Directors of the corporation and their members:

Audit Committee	Human Resources and Remuneration Committee	Corporate Governance Committee	Research and Development Committee
Louis Lacasse	Terrance Mailloux	Richard Laferrière	Dr. Jacques Gagné
Hubert Marleau	Warren H. Haber	Dr. Jacques Gagné	Dr. Marc Lussier
Terrance Mailloux	Dr. Marc Lussier		

EXECUTIVE OFFICERS

The following table sets forth the name, province and country of residence, position and office held with the Corporation, the principal occupation of each of Warnex's executive officers and the number of shares of the Corporation beneficially owned, directly or indirectly, or over which control or direction was exercised by each executive officer as at March 14, 2006.

Name and Province of Residence	Position within the Corporation	Principal occupation	Number of shares of the Corporation
Mark J. Busgang Quebec, Canada	President and Chief Executive Officer	President and Chief Executive Officer, Warnex Inc.	5,499,400
Denis Pellerin Quebec, Canada	Vice President and Chief Financial Officer	Vice President and Chief Financial Officer, Warnex Inc.	35,600
Dr. Michael Mancini Quebec, Canada	President of two business units	President, Warnex Analytical Services Inc. and Warnex Bioanalytical Services	34,000
Erik Yelle ⁽¹⁾ Quebec, Canada	Vice President, Sales & Marketing	Vice President, Sales & Marketing, Warnex Diagnostics Inc.	Nil
Dr. Yvan Côté Quebec, Canada	Vice President, Research & Development and Vice President and General Manager	Vice President, Research & Development, Warnex Research Inc. and Vice President and General Manager, Warnex Medical Laboratories	27,867
Serge Auclair Quebec, Canada	Vice President, Human Resources	Vice President, Human Resources, Warnex Inc.	Nil
Geneviève Foster Quebec, Canada	Vice President, Legal Affairs and Corporate Secretary	Vice President, Legal Affairs, and Corporate Secretary, Warnex Inc.	Nil

(1) Mr. Yelle joined the Corporation in January 2006.

Following are brief biographies of Warnex Officers:

Mark J. Busgang – Mr. Busgang has been President and Chief Executive Officer of the Corporation since February 1998. From 1993 to 1996, he was President and Chief Executive Officer of Pharmetics Ltd. and Vice President of Operations of Theratechnologies Inc. He presently serves as a Director of GC-Capital Corp. and Chairman of the Board of Directors of Mistral Pharma Inc.

Denis Pellerin – Mr. Pellerin has been Vice President and Chief Financial Officer of the Corporation since June 2001. From 1996 to 2001, he was Chief Financial Officer of ACLQ Inc. (formerly Lactel Group Inc.).

Dr. Michael Mancini – Dr. Mancini has been President of Warnex Analytical Services Inc. and Warnex Bioanalytical Services since June 2000. From 1996 until joining Warnex, he was Director of Business Development and Scientific Liaison with MDS Pharma Services Inc.

Erik Yelle – Mr. Yelle has been Vice President, Sales & Marketing of Warnex Diagnostics Inc. since January 2006. From June 2003 until joining Warnex, he was Vice-President Sales and Marketing, Wong Wing Foods Inc. (a McCain Foods company). In 2003, he was Retail Category Manager (pizza snacks, juices, desserts, vegetables) for McCain Foods Canada, and between 1998 and 2002, he was the Quebec Director of Sales for McCain Foods Canada.

Dr. Yvan Côté – Dr. Côté has been Vice President, Research & Development of Warnex Research Inc. since September 2003 and since January 2005, he has also been Vice President and General Manager, Warnex Medical Laboratories. From January 2003 until joining Warnex, he was Director, Clinical Research with ART Advanced Research Technologies Inc. Dr. Côté held different positions with Adaltis Inc. (BioChem ImmunoSystems Inc.), including Director, Clinical Laboratory and Research & Development, from June 1995 to July 2003.

Serge Auclair – Mr. Auclair has been Vice President, Human Resources of the Corporation since November 2002. Mr. Auclair was Manager, Human Resources at CMP Metal Products Inc. from June 2000 until joining Warnex. Prior to this, from May 1997 to April 2000, Mr. Auclair was Director, Human Resources at Summum Design Inc.

Geneviève Foster – Mrs. Foster has been Vice President, Legal Affairs and Corporate Secretary of the Corporation since August 2004. From 2001 until joining Warnex, Mrs. Foster was Director, Legal and Corporate Affairs and Corporate Secretary of Boomerang Tracking Inc. In 2001, Mrs. Foster was legal counsel for Cognicase Inc. and between 1999 and 2001, she was Director, Legal Affairs for Spectra Telecom ST Inc.

As of March 14, 2005, the directors and senior officers of the Corporation as a group beneficially own, directly or indirectly or exercise control or direction on 6,843,367 outstanding common shares, being 13.2% of the issued and outstanding common shares of the Corporation.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

To the knowledge of Warnex, no director or executive officer of Warnex or shareholder of Warnex holding a sufficient number of securities of Warnex to affect materially the control of Warnex (a “control person”): is, or has been within the past 10 years, a director or executive officer of any company that, while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied such company access to any exemptions under securities legislation for a period of more than 30 consecutive days; or has within the past 10 years, been declared bankrupt; made a proposal under any legislation relating to bankruptcy or insolvency; been subject to or instituted any proceedings, arrangement or compromise with creditors; or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

To the knowledge of Warnex, with the exception of the facts disclosed below with respect to Mr. Marleau, no director or officer of Warnex or shareholder of Warnex holding a sufficient number of securities of Warnex to affect materially the control of Warnex (a “control person”): is, or has been within the past 10 years, a director or officer of any company that, while such person was acting in that capacity, was subject to an event that resulted, after the director or

executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or within a year of that person ceasing to act in that capacity, became bankrupt; made a proposal under any legislation relating to bankruptcy or insolvency; or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

St-Geneviève Resources Ltd. ("SGV"), a public company for which Mr. Marleau was a director from 1996 to November 27, 1997, was subject to a cease trade order from the Commission des valeurs mobilières du Québec ("CVMQ" now the Autorité des marchés financiers du Québec) on November 28, 1997, due to SGV's financial situation. The order was lifted on December 22, 1997. SGV was also subject to a cease trade order from the Toronto Stock Exchange on December 5, 1997, for failure to meet continued listing requirements, on the basis of the SGV's financial condition, operating results and resignations of board members. SGV's common shares were delisted from the Toronto Stock Exchange on December 7, 1998. SGV presented to the Superior Court on November 27, 1997, a *Motion Requesting an Order for the Convening of a Meeting of Creditors and Other Conclusions in Accordance with the Companies' Creditors Arrangements Act* (the "Motion"). SGV was allowed to file a formal plan of compromise or arrangement to its creditors by January 23, 1998, which plan was subsequently amended and restated and approved by the creditors.

To the knowledge of Warnex, with the exception of the facts disclosed below with respect to Mr. Marleau, no director, officer or control person of Warnex has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; nor has any director, officer or control person of Warnex been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

In August 2003, Mr. Marleau sought registration as a Financial Advisor with the CVMQ, and duly filed an application for said purpose at that time. On November 18, 2003, Mr. Marleau and Gestion Palos Inc. undertook with the CVMQ to cease acting as dealers or advisors until such time as Gestion Palos Inc. was registered with the CVMQ as an advisor. Such registrations were granted by the CVMQ on December 15, 2003.

9. LEGAL PROCEEDINGS

The Corporation is not involved in any legal proceeding.

10. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Conflicts of interest may arise as a result of the directors and officers of the Corporation also holding positions as directors and/or officers of other companies. Some of the directors and officers have been and will continue to be engaged in the identification and evaluation of assets and businesses, with a view to potential acquisition of interests in businesses and companies on their own behalf and on behalf of other companies, and situations may arise where the directors and officers will be in direct competition with the Corporation. Reference is made to Item E of the Management Proxy Circular of the Corporation dated March 14, 2006, entitled "Interest of Insiders in Material Transactions" for a description of transactions involving the Corporation and directors and officers. Conflicts, if any, will be subject to the procedures and remedies under the *Canada Business Corporations Act*.

11. TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar for the shares of the Corporation is National Bank Trust Company of Canada, at its principal offices in Montreal and Toronto.

12. MATERIAL CONTRACTS

On December 8, 2005, Warnex entered into an Underwriting Agreement with GMP Securities L.P., Fraser Mackenzie Ltd. and Loewen, Ontaatje, McCutcheon Ltd. (the "Underwriters") for a proposed private placement on a firm underwriting basis of a minimum of 2,948,938 common shares and a maximum of 2,996,975 common shares at a price of \$1.30 per share, for minimum gross proceeds to Warnex of \$3,833,619 and maximum gross proceeds of \$3,896,067. In connection with the proposed private placement, Warnex has granted the Underwriters an option exercisable prior to the closing of the placement, to purchase, in the event of a minimum offering, up to 897,216 additional common shares and, in the event of a maximum offering, up to 849,179 additional common shares, at the issue price of \$1.30 per share. Warnex has obtained an advance income tax ruling from Revenu Québec confirming that its common shares qualify under the SME Growth Stock Plan ("régime Actions-croissance PME"). The common shares to be issued in the proposed private placement will therefore constitute eligible shares for purposes of the SME Growth Stock Plan, providing a 100% deduction for Quebec income tax purposes to eligible investors, provided certain conditions are met.

13. AUDIT COMMITTEE INFORMATION

The text of the Corporation's Audit Committee Charter is reproduced as Schedule A of this Annual Information Form.

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee is formed of three directors, Mr. Louis Lacasse, Chairman of the Committee, Mr. Hubert Marleau and Mr. Terrance Mailloux. All members are independent and financially literate as required by National Instrument 52-110.

RELEVANT EDUCATION AND EXPERIENCE

The following describes the relevant education and experience of each member of the Audit Committee that provides him or her with (a) an understanding of the accounting principles used by the Corporation to prepare its financial statements, (b) the ability to assess the general application of such accounting principles, (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to those that can reasonably be expected to be raised by the Corporation's financial statements or experience actively supervising one or more persons engaged in such activities and (d) an understanding of internal controls and procedures for financial reporting.

Louis Lacasse – Mr. Lacasse holds a Bachelor in Business Administration with a specialization in finance and an MBA with a specialization in accounting and marketing. Since 1997, he has been President of GeneChem Management Inc., a company that manages venture capital funds that invest in private and public life sciences companies in North America and Europe. Previously, he worked for 10 years at the Caisse de Dépôt et Placement du Québec, making many investments in companies in the information technology,

telecommunications and health sectors. In his duties as an investor, Mr. Lacasse had to regularly review and analyse financial statements and perform due diligence reviews relative to internal processes and controls of the companies in his portfolio. Mr. Lacasse presides on the Audit Committees of five companies which are publicly traded in the United States and in Canada. Mr. Lacasse's experience required and contributed to the development of his ability to analyze financial statements and understand GAAP.

Hubert Marleau – Mr. Marleau is President of Palos Capital Corporation (since May 1998). Prior to this, Mr. Marleau was Chief Executive Officer and Chairman of the Board of Marleau Lemire, Executive Vice-President of Lévesque Beaubien and Senior Vice-President of Nesbitt Thompson. Mr. Marleau is a Chartered Financial Analyst and serves on the Board of Directors and Audit Committees of several public and private companies. Mr. Marleau's experience required and contributed to the development of his ability to analyze financial statements and understand GAAP.

Terrance Mailloux – In his capacity as Chairman and Chief Executive Officer of Glucogenics Pharmaceuticals Inc., since 1997, Mr. Mailloux has been responsible for all aspects of this company's business and financial operations. Mr. Mailloux's experience required and contributed to the development of his ability to analyze financial statements and understand GAAP.

POLICY REGARDING NON-AUDIT SERVICE RENDERED BY AUDITORS

The Charter of the Audit Committee requires the Audit Committee to pre-approve all non-audit services to be provided by the external auditors of the Corporation or its subsidiaries. The terms of such policy are more fully set out in the text of the Charter, reproduced as Schedule A of this Annual Information Form.

REMUNERATION OF AUDITORS

The following table presents, by category, the fees billed by the external auditors of the Corporation, Nexia Friedman, for fiscal years 2004 and 2005:

Category of fees	2004 \$	2005 \$
Audit Fees	71,000	82,000
Audit-Related Fees	12,350	12,000
Tax Fees	10,880	980
All Other Fees	-	2,900
Total	94,230	97,880

14. ADDITIONAL INFORMATION

At any time, the Corporation, upon request to the Corporate Secretary of the Corporation, will provide to any person or corporation, (i) one copy of the Annual Information Form of the Corporation, together with one copy of any document or the pertinent pages of any document incorporated by reference in the Annual Information Form, (ii) one copy of the comparative financial statements of the Corporation for its most recently completed financial year for which financial statements have been filed, together with the accompanying report of the auditor and one copy of the most recent interim financial statements of the Corporation that have been filed, if any, for any period after the end of its most recently completed financial year and (iii) one copy of the Management Proxy Circular of the Corporation in respect of its most recent

annual meeting of shareholders that involved the election of Directors or one copy of any annual filing prepared instead of that circular, as appropriate, provided that the Corporation may require the payment of a reasonable charge if the request is made by a person or a company who is not a shareholder of the Corporation. The public documents of the Corporation can also be accessed via Internet on the SEDAR site at www.sedar.com.

Additional information, including Directors' and Officers' remuneration and indebtedness, principal holders of the Corporation's securities, options to purchase securities and interests of insiders in material transactions, if applicable, is contained in the Corporation's Management Proxy Circular for its most recent annual meeting of shareholders that involved the election of Directors. Additional financial information is provided in the Corporation's comparative financial statements for its most recently completed financial year.

SCHEDULE A

AUDIT COMMITTEE'S CHARTER

ELECTION

The Audit Committee shall be composed of a minimum of three (3) outside directors, all of whom shall be "unrelated directors", appointed by the Board of Directors and who shall exercise their duties until the next annual general meeting of shareholders or until their successors have been chosen and appointed.

VACANCIES

In the event of a vacancy in the committee, the Board of Directors may appoint a new member to fill the vacancy of the committee.

MEETINGS

The meetings of the committee may be held at the head office of the Corporation or at such other place that the committee may determine from time to time. Meetings of the committee may be held at all times at the request of any member of the committee. At the request of the President & Chief Executive Officer or the Chairman of the Board, the Chairman of the committee shall hold a meeting of the committee to address any question that, in the opinion of the President & Chief Executive Officer or the Chairman of the Board, should be put to the attention of the committee.

CHAIRPERSON

The Audit Committee shall appoint a chairperson who shall be responsible for preparing an agenda and reporting to the Board of Directors.

QUORUM

The quorum for the committee shall be a simple majority of the members.

PROCEDURES

The procedures for the committee shall be similar to those followed by the Board of Directors. The minutes of the meetings of the committee shall be kept in a minute book and made available for review by the directors of the Corporation.

MANDATE

The committees shall exercise all the rights and prerogatives granted to them by the Board of Directors. They shall report to the Board of Directors without interference from management or shareholders. They may call upon outside legal counsel or accountants or any other expert required to complete a specific mandate or where there is a suspicion of wrongdoing and arrange the compensation to be paid to such consultant. Any single committee member shall be empowered to call a special meeting of the Board of Directors in the event of any wrongdoing, whether factual or perceived.

REMUNERATION

The members of the committee shall be remunerated for their services as determined by the Board of Directors.

CHARTER & ORGANIZATION

The committee shall be appointed by the Board of Directors and shall comprise at least three directors, each of whom is independent of management and the Corporation. Members of the committee shall be considered independent if they have no relationship that may interfere with the exercise of their independence from management and the Corporation. All committee members shall be financially literate and at least one member shall have accounting or related financial management expertise. Financial literacy can be defined as the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements.

STATEMENT OF POLICY

The Audit Committee shall provide assistance to the Board of Directors in fulfilling its oversight responsibility to the shareholders, potential shareholders, the investment community, and others relating to the Corporation's financial statements and the financial reporting process, the systems of internal accounting and financial controls, the internal control systems and the annual independent audit of the Corporation's financial statements. In so doing, it is the responsibility of the committee to maintain free and open communication between the committee, the independent auditors, and management of the Corporation. In discharging its oversight role, the committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Corporation, and the power to retain outside counsel, or other experts for this purpose.

RESPONSIBILITIES AND PROCESSES

The primary responsibility of the Audit Committee is to oversee the Corporation's financial reporting process on behalf of the Board and report the results of their activities to the Board. Management is responsible for preparing the Corporation's financial statements, and the independent auditors are responsible for auditing those financial statements. The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible in order to best react to changing conditions and circumstances. The committee should take the appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices, and ethical behavior.

The following shall be the principal recurring processes of the Audit Committee in carrying out its oversight responsibilities. The processes are set forth as a guide with the understanding that the committee may supplement them as appropriate.

- The committee must be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between Management and the external auditor regarding financial reporting. The committee shall have a clear understanding with management and the independent auditors that the independent auditors are ultimately accountable to the Board and the Audit Committee, as representatives of the Corporation's shareholders. The committee shall have the ultimate authority and responsibility to evaluate and, where

appropriate, recommend the replacement of the independent auditors. The committee shall discuss with the auditors their independence from management and the Corporation and the matters included in the written disclosures. The committee must also review and approve the issuer's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the issuer. Annually, the committee shall review and recommend to the Board the selection of the Corporation's independent auditors, subject to shareholders' approval, as well as the compensation to be paid to such auditors.

- The committee shall discuss with the independent auditors the overall scope and plans for their audit including the adequacy of staffing and compensation. Also, the committee shall discuss with management, and the independent auditors, the adequacy and effectiveness of the accounting and financial controls, including the Corporation's system to monitor and manage business risk, and legal and ethical compliance programs. Further, the committee shall meet separately with the independent auditors, with and without management present, to discuss the results of their examinations.
- The committee must review the issuer's financial statements, MD&A and annual and interim earnings press releases before the Corporation publicly discloses this information and must be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the issuer's financial statements, other than the public disclosure hereinbefore mentioned, and must periodically assess the adequacy of those procedures. Also, the committee shall discuss the results of the quarterly review and any other matters required to be communicated to the committee by the independent auditors under generally accepted auditing standards. The Chair of the committee may represent the entire committee for the purposes of this latter review.
- The committee shall review with management and the independent auditors the financial statements to be included in the Corporation's Annual Report, including their judgment about the quality, not just acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements. The committee shall discuss the results of the annual audit and any other matters required to be communicated to the committee by the independent auditors under generally accepted auditing standards.
- The committee shall review every year the insurance program of the Corporation.
- The committee must establish procedures for (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.
- The committee must pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the Corporation's external auditor. The Audit Committee satisfies the pre-approval requirement if:
 - (a) the aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the Corporation and its subsidiary entities to the Corporation's external auditor during the fiscal year in which the services are provided;

- (b) the Corporation or its subsidiary entities, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and
- (c) the services are promptly brought to the attention of the Audit Committee of the Corporation and approved, prior to the completion of the audit, by the Audit Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Audit Committee.

The Audit Committee may delegate to one or more independent members the authority to pre-approve non-audit services. The pre-approval of non-audit services by any member to whom authority has been delegated must be presented to the Audit Committee at its first scheduled meeting following such pre-approval.

SCHEDULE B

MANDATE OF THE BOARD OF DIRECTORS

The regulations for managing a corporation have a certain flexibility thus permitting those concerned to share the responsibility of operations between the Board of Directors and management, according to circumstances and particular need.

The Board fulfills certain functions prescribed by law and is called upon to examine important situations facing the Corporation. The questions presented to the Board usually come from recommendations made by management.

In performing its duties, the Board must always keep in mind that, at the same time as being responsible for increasing the value of the shareholders' investment, as well it must protect the value of that investment against any serious depreciation.

The following items are the responsibility of the Board:

- The strategic orientation of the Corporation together with its mission and its objectives.
- The identification of the principal risks of the Corporation's business and the implementation of appropriate systems to manage these risks.
- The Corporation's business plan along with the operating budget, the capital budget and the cash flow budget.
- The financial statements, the raising of capital, loans and other important financial activities.
- The performance, commitment, remuneration, and evaluation of senior management as well as planning for management succession.
- Questions pertaining to the value of the business, to the products and services offered by the Corporation, and to the allocation of resources to new areas of activity.
- Reorganizations and restructuring of the Corporation, acquisitions and divestitures.
- The establishment of a communication or disclosure policy.
- The adoption of measures for receiving feedback from stakeholders.
- The integrity of the Corporation's internal control and management information systems.
- The implementation of a process to be carried out by the Corporate Governance Committee for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors.
- The development of position descriptions for the Board and for the CEO, including the definition of the limits to management responsibilities and the development or approval of the corporate objectives for which the CEO is responsible.

In order to perform its duties, the Board of Directors must not only know and approve the general orientation and plans of the Corporation, but also it needs to ensure that the approved plans are followed through as approved and that proper follow up and control systems are in place to ensure responsible management of the affairs of the Corporation.

The Board of Directors does this by examining, studying and approving, among other things, the strategic plan and the business plans as well as the budgets and also by getting the opinion of management and other internal experts and if needed, from external experts as well.

The implementation of appropriate verification procedures is important, even in the absence of problems, because these procedures allow the Board to feel secure that operations and other activities of management are being run properly, as the Board cannot realistically supervise daily activities.

Reports from the Chief Executive Officer and the Chief Financial Officer, as well as from the internal and external experts, are presented to the Board.

These procedures are not only an efficient and necessary process but also can be of assistance to the directors to defend their position should they be faced with a challenge from shareholders or third parties.

The input of the directors is valuable in that it gives management other perspectives.

The directors should take note that they have the same legal responsibilities and obligations, independently of whether the Corporation has a small or large number of shareholders.

Ultimately, the Chairman of the Board evaluates the efficiency of the Board. The Chief Executive Officer is responsible for the general direction and management of the Corporation.

A majority of the directors of the Corporation shall be "unrelated" as defined by the listing guidelines of the Toronto Stock Exchange. The Board shall review and affirmatively determine the "unrelated" status of each director.

An "unrelated director" is a director who has no direct or indirect relationship with the Corporation which could reasonably interfere with the exercise of this director's independent judgement.

In order to assure the independence of the Board from management, the Board shall, at regular intervals, either during a regular meeting or at a special meeting called for that purpose, require that all related directors absent themselves from the meeting. The Board may, at its sole discretion, invite related directors or other members of senior management to participate in these meetings.

Each director shall have career experience relevant to the Corporation's business, have proven understanding of fiduciary duty and demonstrate integrity and high ethical standards. Each director shall devote adequate time to serve effectively as a director. Attendance at the meetings of the Board is crucial.

An individual director of the Corporation may engage outside advisers at the expense of the Corporation, with the prior approval of the Corporate Governance Committee.