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**ANNUAL INFORMATION FORM**  
For Fiscal Year Ended December 31, 2004

March 21, 2005

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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, and in certain documents incorporated or deemed to be incorporated by reference in this Annual Information Form, constitute forward-looking statements. When used in this document, the words “anticipate”, “believe”, “estimate”, “expect”, “plan”, “future”, “intend”, “may”, “will”, “should”, “predicts”, “potential”, “continue” and similar expressions, are intended to identify forward-looking statements. Such statements are not guarantees of the future performance of Warnex Inc. or its industry and involve known and unknown risks and uncertainties that may cause the outlook, the actual results or performance of Warnex to be materially different from any future results or performance expressed or implied by such statements. Warnex disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## 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*<sup>SM</sup> 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](http://www.warnex.ca).

As of December 31, 2004 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	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 processing activities, and offers numerous other applications such as the detection of GMOs and a traceability function using Molecular Bar Codes.

Warnex's Clinical Services division ("Warnex Clinical") was formed following the acquisition, in June 2004, of assets of the Clinical Laboratory division of Adaltis Inc., which provides human clinical 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**

#### *2002*

In 2002, the Corporation completed three private placements, which resulted in gross proceeds of \$2,205,000, \$1,750,000 and \$1,500,000 respectively. We also completed a financing with SGF Soquia Inc. for an amount totalling \$12,000,000.

The Corporation closed down its subsidiary Groupe d'Investigations Techniques et d'Expertises (G.I.T.E.) Inc. in order to focus on the development of its technology and on its services business.

Warnex acquired the 35% interest of the shares of Warnex Research held by 9066-2032 Quebec Inc., a company controlled by Christian Archambault, a former executive of the Corporation, for a total consideration of \$7,350,000, paid by the issuance of common shares of Warnex and of common share purchase warrants. This transaction enabled Warnex to become the sole owner of Warnex Research and of its Genevision technology. Warnex Diagnostics was incorporated to commercialize this technology.

#### *2003*

In 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 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*<sup>SM</sup> 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 processor 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 license for Prenatest®, a prenatal screening test that 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 constitutes a complementary fit with our other service groups, expanding our range of services and representing our first foray into human clinical testing.

### 3. NARRATIVE DESCRIPTION OF THE BUSINESS

#### **GENERAL**

Warnex is a diversified biotechnology company devoted to protecting public health by providing advanced diagnostic and quality control products and services to the pharmaceutical, agri-food 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 which consist of quality control services, method development and validation, contract R&D, and bioavailability and bioequivalence studies for clinical trials, and (c) clinical services, which consist of 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 that accounted for fifteen percent (15%) or more of total consolidated revenues:

<b>Product/Service</b>	<b>2003</b>	<b>%</b>	<b>2004</b>	<b>%</b>
Analytical services	4,009,486	55.4	4,544,250	36.5
Bioanalytical services	2,917,038	40.3	5,896,169	47.3
Clinical services	-	-	1,271,547	10.2
Food safety products	13,683	0.2	574,975	4.6

#### **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 Warnex Rapid Pathogen Detection System, 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 speciation. 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 research and development's main focus is on the Warnex Rapid Pathogen Detection System, an advanced diagnostic tool used to detect bacterial pathogens 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 and *E. coli* O157:H7.

Warnex also develops tests for new pathogenic bacteria, such as *Campylobacter*, *Clostridium perfringens* and *Staphylococcus aureus* and continues efforts to enhance already developed tests to make them faster and less labour-intensive.

The research group has also initiated several new 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 in its own facilities and personnel, comprised over 20 genomic researchers.

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. Susan Harlander, President of BIOrational Consultants, a U.S. consulting firm specializing in food and agricultural biotechnology issues; 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 2004, \$3.3 millions was invested in research and development.

#### WARNEX RAPID PATHOGEN DETECTION SYSTEM

One of the critical issues facing society today is food safety and protection of the environment 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). High profile events, like contaminated water in Walkerton, Ontario, have shown the need to improve the technology used to detect the dangerous organisms that cause these tragic events.

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 and identifies pathogens in 12 to 48 hours. As the DNA signature of each

pathogen is unique, the identification 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 and *E. coli* O157:H7 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 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 two major components: a) the Real-Time PCR instrument and b) 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 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; however, our kits may be adapted to various Real-Time PCR instruments.

#### 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 in-house 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 has hired 3 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, will distribute our product in the United Kingdom. Finally, AES Laboratoire, based in France, will market 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.

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 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 requirements, 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*<sup>SM</sup> 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*<sup>SM</sup> 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 food borne 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 license 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 license may be required. Warnex has and continues to enquire on the necessity and availability of different PCR-related licenses.

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 Good Manufacturing Practices (GMP).

Warnex Bioanalytical provides services to pharmaceutical and biotechnology companies principally in Canada and the United States. A scientific team of specialists in research and development, method 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 2003, pharmaceutical companies spent US\$33 billion on drug research and development in the United States alone (Pharmaceutical Research and Manufacturers of America, 2004). In Canada, the brand-name pharmaceutical industry spent almost \$1 billion on R&D, of which 65% went 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 33.5% of sales in 2004. 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 customers accounted for 71.4 % of this division's revenues in 2004. 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, Bodycote plc, an international supplier of specialist metallurgical services which has a small Canadian operation performing microbiological testing and MDS located in Blainville, Quebec. Warnex Bioanalytical competes with companies such as MDS Inc., a provider of clinical research and bioanalytical testing, and SFBC International Inc., a provider of clinical and bioanalytical laboratory services.

Considering the size of the North-American market, of which we own 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 CLINICAL SERVICES**

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

Warnex Clinical's revenues are mainly derived from two tests: the Prenatest® prenatal screening test that enables pregnant women to find out if they are at a 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 a decrease in hormone with age, which plays a direct role in various physiological changes, including muscle strength, bone density and body composition.

Warnex Clinical 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 Clinical 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: allergy and immunology, cardiology, endocrinology, gastroenterology, genetics, infectious diseases, obstetrics/gynecology, and oncology.

### **MARKET**

In 2003, there was a total of 73,600 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 2.5 times the number of Prenatest tests actually performed in 2003. Currently, the Prenatest prenatal screening test is performed in 19% of pregnancies. 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.

### **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 amniosynthesis do not compete directly. A patient can have a risk assessment done using the Prenatest and, in conjunction with her physician, may elect to proceed to an amniocenteses. The Prenatest, in turn, is safe for the mother and foetus. The results of the tests are available within one week, while those of the amniocenteses usually require a minimum of four weeks. The Prenatest's retail price is \$195, much lower than the \$750 for amniocenteses.

### **MARKETING PLAN**

The Prenatest is offered mainly 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 sales made mainly to gynecologists by a Warnex representative, we have concluded an agreement with Fetal Medecine International, who provides a web-based education program to facilitate Nuchal Translucency measurement training, whereby we will sponsor the translation into French of their e-training program.

Warnex Clinical's largest customer accounted for 43.4% of its revenues in 2004. 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 165 full-time employees. 93 are employed in Warnex Analytical and Bioanalytical, 8 in Warnex Clinical, 44 in our DNA Detection Technology divisions and 20 in the corporate offices.

Warnex Analytical employees are represented by a union. The contract was renewed in 2003. 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, as well as in the management of emerging public growth 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 2005.

### **FOREIGN OPERATIONS**

For the year ended December 31, 2004, approximately 39% of Warnex's revenues were from the United States, in American dollars. 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 on pages 38 and 39 of the Corporation's Annual Report for the year ended December 31<sup>st</sup>, 2004 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 2004 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, 2004, 48,649,400 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**

The 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 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 2004.

Month	High \$	Low \$	Volume
January	1.39	1.06	1,914,963
February	1.28	1.05	1,348,023
March	1.30	1.08	634,203
April	1.13	0.90	604,652
May	1.24	1.02	640,684
June	1.34	1.15	1,356,310
July	1.35	1.20	967,756
August	1.25	1.10	310,903
September	1.24	1.02	412,899
October	1.24	1.05	618,730
November	1.20	1.05	4,152,068
December	1.15	1.05	3,127,501

## 8. DIRECTORS AND EXECUTIVE OFFICERS

### DIRECTORS

The following table sets forth each director's name, province and country of residence, his principal occupation, the year in which he 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 4, 2005. 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 4, 2005.

<b>Name and Province or State and country of Residence</b>	<b>Position within the Corporation</b>	<b>Principal occupation</b>	<b>Year of nomination as a Director</b>	<b>Number of shares of the Corporation</b>
Mark J. Busgang Quebec, Canada	President and Chief Executive Officer and Director	President and Chief Executive Officer, Warnex Inc.	1998	5,499,400
Richard Laferrière Quebec, Canada	Chairman of the Board and Director	President and Chief Executive Officer, FRV Media Inc.	1996	863,100
Terrance Mailloux Quebec, Canada	Director	Chairman of the Board and Chief Executive Officer, Glucogenics Pharmaceuticals Inc.	1998	45,000
Hubert Carrier Quebec, Canada	Director	Interim Group Vice-President, SGF Soquia Inc.	2002	Nil
Denis Huard Quebec, Canada	Director	President and General Manager of CDMV Inc.	2002	Nil
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
Barry Schwartz Quebec, Canada	Director	Chairman of the Board and Chief Executive Officer, Sonomax Hearing Healthcare Inc., President, Two Roads Investments Inc.,	2000	25,000
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

Following are brief biographies of Warnex directors:

*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.

*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 of FRV Media Inc., a company whose shares are listed on the TSX Venture Exchange. Between 2001 and September 2004, he was President and Chief Executive Officer of Fiberoptic One Inc. (TSX Venture Exchange) and since October 2004, he is Chairman of the Board of Directors of Globeecom International, a TSX Venture Exchange Company.

*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), Fiberoptic One Inc. (TSX Venture Exchange) 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.

*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 private and public companies including Metroworks Inc. and Axcan Pharma Inc.

*Hubert Marleau* – Mr. Marleau has been President of Palos Capital Corporation since May 1998. Mr. Marleau is currently a Director of several publicly traded companies.

*Barry Schwartz* – Mr. Schwartz has been Chairman and Chief Executive Officer of Sonomax Hearing Healthcare Inc. since February 2001, a company whose shares are listed on the TSX Venture Exchange, and he is President of Two Roads Investments Inc. since July 1992.

*Hubert Carrier* – Mr. Carrier has been Interim Group Vice-President at SGF Soquia Inc., since January 2000. He has been President of the Governor's Foundation of the Food Research and Development Centre (FRDC) since 1996 as well as director of the Philippe Pariseau chair on agri-food of the University of Quebec in Montreal between 2000 and 2004.

*Denis Huard* – Mr. Huard is President and General Manager of CDMV Inc. since August 2002. From January 1992 to July 2002, he was General Manager of Atlas Cold Storage 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, he serves as a consultant to several companies in the biotechnology and healthcare fields. He is a member of the Boards of Directors of various companies and public organisations.

*Dr. Marc Lussier* – Dr. Lussier is Vice-President, Operations, at HémaX Génome Inc. since May 2001 and Chief Executive Officer of Estracure Inc. since May 2002, two Montreal-based genomics companies. He was also President and Chief Executive Officer of Anagenis Inc. from May 2001 to November 2002. From 1998 to 2001, he was the co-founder and Director of Scientific Operations of Mycota Biosciences Inc. He also serves as consultant to companies in the biotechnology and biopharmaceutical industries.

## COMMITTEES OF THE BOARD

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

<b>Executive Committee</b>	<b>Audit Committee</b>	<b>Human Resources and Remuneration Committee</b>	<b>Corporate Governance Committee</b>	<b>Research and Development Committee</b>
Mark J. Busgang	Louis Lacasse	Terrance Mailloux	Richard Laferrière	Jacques Gagné
Richard Laferrière	Hubert Marleau	Denis Huard	Terrance Mailloux	Marc Lussier
Hubert Carrier	Barry Schwartz	Warren H. Haber	Hubert Carrier	
Jacques Gagné		Marc Lussier	Jacques Gagné	

## 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 4, 2005.

<b>Name and Municipality of Residence</b>	<b>Position within the Corporation</b>	<b>Principal occupation</b>	<b>Number of shares of the Corporation</b>
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 the Bioanalytical division of Warnex Inc.	34,000
Luc Lavigne Quebec, Canada	Vice President, Sales & Marketing	Vice President, Sales & Marketing, Warnex Diagnostics Inc.	16,667
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 Clinical Services	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

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.

*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 Inc. since June 2000. From 1996 until joining Warnex, he was Director of Business Development and Scientific Liaison with MDS Pharma Services Inc.

*Luc Lavigne* – Mr. Lavigne has been Vice President, Sales & Marketing of Warnex Diagnostics Inc. since July 2003. From March 2003 until joining Warnex, Director, Sales & Marketing at ART Advanced Research Technologies Inc. From November 1996 to November 2002, Mr. Lavigne held different positions at Roche Diagnostics Inc., including that of Director, Lab Network Division from September 1999 to November 2002.

*Dr. Yvan Côté* – Dr. Côté has been Vice President, Research & Development of Warnex Research Inc. and Vice President and General Manager, Warnex Clinical Services since September 2003. 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 is Vice President, Human Resources of the Corporation. He joined Warnex in 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 is 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 4, 2005, the directors and senior officers of the Corporation as a group beneficially own, directly or indirectly or exercise control or direction on 6,923,134 outstanding common shares, being 14.2% 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 4, 2005 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 Computershare Trust Company of Canada, at its principal offices in Montreal and Toronto.

## 12. MATERIAL CONTRACTS

On November 10, 2004, Warnex entered into an agreement with Samaloy Holding Inc., 9089-1102 Québec Inc., 9066-2032 Québec Inc., SGF Soquia Inc., Christian Archambault (a former Director and Executive Vice President of Warnex) and Mark J. Busgang for the release from escrow of 3 495 523 common shares of Warnex owned by 9066-2032 Quebec Inc. ("9066"), a wholly-owned subsidiary of Christian Archambault, in connection with the sale of such shares by 9066 to unrelated third parties.

## 13. AUDIT COMMITTEE INFORMATION

### **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.

#### **COMPOSITION OF THE AUDIT COMMITTEE**

The Audit Committee is currently formed of three directors, Mr. Louis Lacasse, Chairman of the Committee, Mr. Hubert Marleau and Mr. Barry Schwartz. 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 specialisation in finance and an MBA with a specialisation 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 analyse 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 analyse financial statements and understand GAAP.

**Barry Schwartz** – In his capacity as Chairman and Chief Executive Officer of Sonomax Hearing Healthcare Inc. since February 2001, a company whose shares are listed on the TSX and President of Two Roads Investments Inc. since July 1992, Mr. Schwartz has been responsible for all aspects of these companies' business and financial operations. Prior to this, Mr. Schwartz was President of James-Barry Inc. from November 1991 to May 1997, Sr. Vice-President of CEMP Investments Limited from August 1980 until 1984, at which time he became Sr. Vice-President of its successor entity, Claridge Investments Inc., as well as President and Chief Operating Officer of Claridge Properties Ltd., both until November 1991. Mr. Schwartz's experience required and contributed to the development of his ability to analyse 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, above.

**REMUNERATION OF AUDITORS**

The following table presents, by category, the fees billed by the external auditors of the Corporation, Friedman & Friedman, for fiscal years 2003 and 2004:

<b>Category of fees</b>	<b>2004 \$</b>	<b>2003 \$</b>
Audit Fees	71,000	61,500
Audit-Related Fees	12,350	7,700
Tax Fees	10,880	5,495
All Other Fees	-	-
<b>Total</b>	<b>94,230</b>	<b>74,695</b>

**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](http://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.