VIREXX MEDICAL CORP
Form 20-F
May 19, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

o **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2005

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 1-32608

ViRexx Medical Corp.
(Exact name of Registrant as specified in its charter)

Alberta, Canada
(Jurisdiction of incorporation or organisation)

8223 Roper Road, Edmonton, Alberta, Canada T6E 6S4

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Common Shares, No Par Value	The American Stock Exchange ("AMEX")
	Toronto Stock Exchange ("TSX")

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None
(Title of Class)

As of March 31, 2006, there were 69,542,535 outstanding shares in the capital of ViRexx.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

x Yes oNo

Indicate by check mark which financial statement item the registrant has elected to follow

o Item 17 x Item 18

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FORWARD LOOKING INFORMATION

This Annual Report Form 20-F (the "Annual Report" or "Form 20-F") contains "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. A holder of shares ("Shareholders") can identify these forward looking statements when they see us using words such as "expect", "anticipate", "estimate", "believe" "may", "potential", "intends", "plans" and other similar expressions or statements that an action, event or result "will", "n "could" or "should" be taken, occur or be achieved, or the negative thereof, or other similar statements. These statements are only predictions and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance, or achievements expressed or implied by these forward-looking statements. Important factors that could cause or contribute to such differences include our ability to successfully develop our product candidates and commercialize them into saleable products, the introduction of competing products, the difficulty of predicting Food and Drug Administration ("FDA"), European Medicines Agency ("EMEA") and other regulatory authority approvals, the regulatory environment and changes in the health policies and structures of various countries, our ability to successfully identify, consummate and integrate acquisitions, our potential exposure to candidates, product liability claims, our dependence on patent and other protections for our product candidates, fluctuations in currency, exchange and interest rates and operating results and other risks and uncertainties described under "*Item 3 - Key Information - Risk Factors*" and elsewhere in this Form 20-F.

Forward-looking statements are based on the beliefs, opinions and expectations of our management on the date the statements are made. Although we believe that the forward-looking statements presented in this document are reasonable, we do not guarantee that they accurately or completely predict, reflect or state future results, levels of activity, performance, achievements or occurrence and we do not assume responsibility for failure to do so. Except as required by law we do not undertake to update forward-looking information to reflect actual results, new information, occurrence of future events, or changes in management's beliefs, opinions or expectations. No undue reliance should be placed on such forward-looking statements.

PART I

In this Form 20-F, except where otherwise indicated, all references to the "Corporation," "we," "our" and "ViRexx" refer to ViRexx Medical Corp., its subsidiaries, and where the context requires, its predecessors. References to "dollars" as "CDN$" or "$" are to Canadian dollars and references to "US$" are to United States dollars.

Item 1. Identity of Directors, Senior Management and Advisors

The names, business address and functions of ViRexx's directors and senior management are stated in the following table:

Names	Business Address	Function to the Corporation
Dr. Antoine A. Noujaim	8223 Roper Road Edmonton, Alberta T6E 6S4 Canada	Director
Dr. D. Lorne Tyrrell	8223 Roper Road Edmonton, Alberta T6E 6S4 Canada	Chief Executive Officer, Chief Scientific Officer and Director
Jacques R. Lapointe	7774 Tenth Sideroad Milton, Ontario L9T 4Y9 Canada	Director
Bruce D. Brydon	66 Suffolk Road Salt Spring Island British Columbia V8K 1L8 Canada	Director
Thomas E. Brown	324 Osland Place Edmonton, Alberta T6R 1Z9 Canada	Director
Dr. Jean Claude Gonneau	A Farnell Mews London England SW5 9DL	Director
Douglas Gilpin, CA	175 Wolf Willow Crescent Edmonton, Alberta T5T 1T3 Canada	Chairman and Director
Macaraig (Marc) Canton	8223 Roper Road Edmonton, Alberta T6E 6S4 Canada	President and Chief Operating Officer and Acting Chief Financial Officer
Michael W. Stewart	8223 Roper Road Edmonton, Alberta T6E 6S4 Canada	Vice President, Operations, Oncology
Dr. Rajan George	8223 Roper Road	Vice President, Research & Development, Infectious

	Edmonton, Alberta T6E 6S4 Canada	Diseases
Dr. Andrew Stevens	8223 Roper Road Edmonton, Alberta T6E 6S4 Canada	Vice President, Regulatory Affairs
Dr. Irwin Griffith	8223 Roper Road Edmonton, Alberta T6E 6S4 Canada	Vice President, Drug Development, Infectious Disease

The Canadian legal advisor of ViRexx is Parlee McLaws llp, located at 1500 Manulife Place, 10180 - 101 Street, Edmonton, Alberta, Canada, T5J 4K1. As to matters arising under the United States Federal securities laws ViRexx is being advised by Corsair Advisors Inc., 497 Delaware Avenue, Buffalo, New York, of the United States, 14202. The auditor of ViRexx for the preceding three years is PricewaterhouseCoopers LLP, Chartered Accountants, Suite 1501 TD Tower, 10088 - 102 Avenue, Edmonton, Alberta, Canada, T5J 3N5.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item3. Key Information

A. Selected financial data

The selected consolidated financial data presented below is derived from the audited annual financial statements for the years ended December 31, 2005, December 31, 2004, December 31, 2003, December 31, 2002, and December 31, 2001.

The selected financial data should be read in conjunction with the financial statements and other financial information included elsewhere in this Annual Report.

We prepared our Consolidated Financial Statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). GAAP differs in certain material respects from United States Generally Accepted Accounting Principles ("U.S. GAAP"). For discussion of the principal differences between Canadian GAAP and U.S. GAAP as they pertain to us, see Note 15 to our audited Consolidated Financial Statements, included elsewhere in this Form 20-F. Note 15 to our Consolidated Financial Statements also provides a reconciliation of our Consolidated Financial Statements to United States Generally Accepted Accounting Principles.

Selected Canadian GAAP Financial Data

(In thousands, except per share data)	Years ended December 31,				
	2005[1]	**2004**[1]	**2003**[1]	**2002**[1]	**2001**[1]
Revenues	—	—	—	—	—
Net (loss)	(7,460)	(3,658)	(1,384)	(1,260)	(1,012)
Net (loss) per share from continuing operations (basic and fully diluted)	(0.13)	(0.14)	(0.15)	(0.14)	
Weighted average no. shares outstanding	55,827	25,268	9,129	8,763	
Working capital	5,108	8,837	1,695	281	35
Total assets	36,286	45,722	3,742	1,093	757
Long-term liabilities	1,168	6,750	35	657	193
Shareholders' Equity	34,448	37,191	2,095	(56)	102

(1) Derived form the audited financial statements for the year then ended

Selected U.S. GAAP Financial Data

(In thousands, except per share data)	Years ended December 31,				
	2005[1]	**2004**[1]	**2003**[1]	**2002**[1]	**2001**[1]
Revenues		—	—	—	—
Net (loss)	(8,461)	(31,459)	(2,191)	(1,390)	(1,088)
Net (loss) per share (basic and fully diluted)	(0.15)	(1.245)	(0.24)	(0.16)	
Weighted average no. shares outstanding	55,827	25,268	9,129	8,763	
Working capital	5,626	9,311	1,636	281	35
Total assets	6,296	11,152	3,480	904	660
Long-term liabilities	—	—	35	746	193
Shareholders' Equity (Deficiency)	5,626	9,311	1,774	(245)	6

(1) Derived form the audited financial statements for the year then ended

Currency and Exchange Rates

The following table sets out the exchange rates for US dollars expressed in terms of one Canadian dollar in effect at the end of the following periods, and the average exchange rates (based on the average of the exchange rates on the last day of each month in such periods);

	US Dollars Per One Canadian Dollar Year Ended December 31					
	January - March 2006	**2005**	**2004**	**2003**	**2002**	**2001**
End of period	0.86	0.86	0.83	0.77	0.63	0.63
Average for the period	0.86	0.82	0.76	0.71	0.63	0.64

The following table sets out the high and low exchange rates for US dollars expressed in terms of one Canadian dollar in effect at the end of the following periods:

	US Dollars per One Canadian Dollar					
	April 2006	**March 2006**	**February 2006**	**January 2006**	**December 2005**	**November 2005**
High for the month	0.8772	0.8850	0.8809	0.8794	0.8751	0.8590
Low for the month	0.8496	0.8513	0.8610	0.8479	0.8508	0.8349

Exchange rates are based upon the noon buying rate in New York City for cable transfers in foreign currencies, as certified for customs purposes by the Federal Reserve Bank of New York. The noon rate of exchange on March 31, 2006 as reported by the United States Federal Reserve Bank of New York for the conversion of Canadian dollars into United States dollars was CDN$1.00 = US$0.86.

B. Capitalization and indebtedness

Common Shares

We are authorized to issue an unlimited number of common shares. As of December 31, 2005, we had 58,443,445 common shares outstanding. A summary of transactions during the twelve month period ended December 31, 2005 is outlined below:

	Common shares	
	#	$
Balance - December 31, 2004	53,276,477	41,754,983
Issuance of common shares for cash	4,035,665	2,970,316
Conversion of Debentures	561,100	591,281
Exercise of stock options	225,218	267,413
Exercise of warrants	2,302,875	2,277,370
Share issuance costs	99,010	(227,061)
Repurchased	(2,056,900)	(1,645,113)
Balance - December 31, 2005[(1)]	**58,443,445**	**45,989,189**

Note:
(1)

Subsequent to December 31, 2005, the Company completed a private placement of 10,909,090 units for gross proceeds of $12,000,000. Each unit consists of one commons share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share of the Company at a price of $1.50 for a period of two years. As of March 31, 2006, we had 69,542,535 common shares outstanding.

All cash proceeds from the issuance of common shares are used for general working capital purposes.

Normal Course Issuer Bid

On December 21, 2004, we received approval for a Normal Course Issuer Bid allowing ViRexx to repurchase up to 2,663,823 common shares during the period beginning December 23, 2004 to December 22, 2005, at the market price at the time of purchase. We repurchased 2,056,900 common shares at a weighted average price of $1.10 per share for the period January 1, 2005 to December 22, 2005, which resulted in a charge of $1,645,113 to share capital and a charge of $610,663 to the deficit. (*See Item 16E*).

Stock Options

See Note 11 of Item 18. Our stock option plan permits the issuance of stock options equivalent to 8,256,000 common shares. As at December 31, 2005, we had 6,670,200 stock options outstanding of which 5,712,066 are exercisable. The expiry dates of outstanding stock options range from April 30, 2007 to November 15, 2015.

A summary of transactions during the period ending December 31, 2005 is outlined below:

	Stock Options	**Weighted exercise price**
	#	$
Outstanding Balance - December 31, 2004	6,369,168	0.84
Granted	940,000	1.08
Expired	(113,750)	5.64
Exercised	(225,218)	0.85
Balance - December 31, 2005	**6,970,200**	**0.845**

On February 1, 2005, we granted 300,000 stock options as an inducement to an individual to join ViRexx as an officer. The options are exercisable at $1.17 per share and expire on February 1, 2015. These options were not issued under the Plan. One-third of these options vested immediately and the remaining options will vest over a period of two years. Effective April 13, 2005, 30,000 options were granted an inducement for an individual to join ViRexx. These options expire on April 13, 2015 and are exercisable at a price of $1.46 per share. Effective May 1, 2005, 50,000 options were granted to a consultant to ViRexx. These options expire on May 1, 2007 and are exercisable at a price of $1.39 per share. Effective November 1, 2005, 60,000 options were granted as partial inducement for an individual to join ViRexx as Director, Business Development. The options are exercisable at $0.99 per share and expire on November 1, 2015. These options vest over a period of three years. Effective November 1, 2005, 500,000 options were granted as an inducement to another individual to join ViRexx as Chief Executive Officer. These options are exercisable at $0.99 per share and expire on November 1, 2015. These options vest monthly in equal amounts over three years.

Warrants

See Note 11 of Item 18. As at December 31, 2005, we had 2,819,299 warrants outstanding at a weighted average price of $1.56. The expiry date of outstanding warrants range from November 26, 2006 to September 9, 2007. A summary of transactions during the period is outlined below:

	Warrants	Weighted exercise price
	#	$
Balance - December 31, 2004	12,543,095	1.06
Granted	2,459,299	1.20
Exercised	(2,302,875)	0.86
Cancelled/Expired	(9,880,220)	1.00
Balance - December 31, 2005[(1)]	**2,819,299**	**1.56**

Note:
(1) On February 15, 2006, we closed a private placement for 10,909,090 units for gross proceeds of $12,000,000 with each unit consisting of one common share and one full share purchase warrant along with 1,090,909 broker warrants thus adding 11,999,090 warrants to the outstanding warrants.

C. ***Reasons for the offer and use of proceeds***

Not Applicable.

D. ***Risk factors***

An investment in our common shares involves a high degree of risk and should be considered speculative. You should carefully consider the risks and uncertainties described below, as well as other information contained in this Annual Report, including under Item 5: "Operating and Financial Review and Prospects" and in our financial statements and accompanying notes, before making any investment. If any of the following risks occur, our business, financial condition, and results of operations could be seriously harmed and you could lose all or part of your investment.

RISK RELATED TO OUR FINANCIAL CONDITION

WE MUST RAISE MONEY FROM INVESTORS TO FUND OUR OPERATIONS. IF WE ARE UNABLE TO FUND OUR OPERATIONS, WE WILL CEASE DOING BUSINESS.

As at March 31, 2006, we had cash reserves, consisting of cash and cash equivalents, of $14,429,807. In 2005, we incurred a net loss of $7,459,714. In 2004, we incurred a net loss of $3,657,760, and in 2003 we incurred a net loss of $1,383,562. In February 2006 we completed a private placement of 10,909,090 units for $12,000,000 with the addition of broker warrants and as a result of this financing there remains outstanding 11,999,990 common share purchase warrants expiring on February 15, 2007, exercisable at $1.50.

Without additional funding, we will have inadequate funds to continue our existing corporate, administrative, and operational functions beyond the second quarter of 2007. We also have commitments under our University of Alberta license agreement to make milestone payments of $250,000 when we enter Phase III clinical trials on each of the product candidates derived from the intellectual property licensed under that Agreement. We anticipate that we will need to raise approximately $25,000,000 between the fourth quarter of 2006 and the second quarter of 2007 to bring us forward to our first commercial income stream beginning in the third quarter of 2008. The average monthly amount of cash that we are using, and expect to use over the next 12-18 months for all of our operations, is approximately $1,136,000. For a further discussion of our liquidity and capital resources, you should also refer to Item 5: "Operating and Financial Review and Prospects" in this Annual Report. We expect to continue to seek additional sources of funding to finance operations into the future, through public or private equity or debt financings, collaborative arrangements with pharmaceutical companies and/or from other sources. We cannot assure you that additional financing will be available or, even if it is available, that it will be available on terms acceptable to us.

WE HAVE NOT DERIVED ANY REVENUE TO DATE FROM THE COMMERCIAL SALE OF PRODUCT CANDIDATES, HAVE NEVER HAD ANY REVENUES FROM COMMERCIAL SALES AND HAVE RELIED ON EQUITY AND DEBT FINANCINGS TO SUPPORT OUR OPERATIONS.

We have not derived any revenue to date from the commercial sale of product candidates and have no product candidates for sale. Our future profitability will depend upon our ability to bring product candidates to market in a timely manner, obtain regulatory approvals and enter into suitable licensing or partnering arrangements to commercialize our product candidates. We have relied solely on equity and debt financing and government grants to support our operations. We have not commercially introduced any product candidates and the product candidates are in varying stages of development and testing. Our ability to sell an approved commercial product will depend upon our ability to develop products that are safe, effective and commercially viable, to obtain regulatory approval for the manufacture and sales of its product candidates and to license or otherwise market its product candidates successfully. We may never commercialize sales of an approved product and will have relied on equity and debt financings to support ongoing operations.

WE HAVE A HISTORY OF OPERATING LOSSES AND WE EXPECT TO INCUR FUTURE LOSSES. IF WE ARE UNABLE TO ACHIEVE SIGNIFICANT REVENUES IN THE FUTURE, WE WILL CEASE DOING BUSINESS.

Since our inception, we have incurred significant losses each year. Our accumulated deficit at December 31, 2005 since inception is $16,320,796. We expect to incur significant operating losses as we continue our product candidate research and development and continue our clinical trials. We will need to generate significant revenues in order to achieve and maintain profitability. Our ability to generate revenue in the future is dependent, in large part, on completing product development, obtaining regulatory approvals, and commercializing, or entering into agreements with third parties to commercialize, our product candidates. We cannot assure you that we will ever successfully commercialize or achieve revenues from sales of our therapeutic product candidates if they are successfully developed or that we will ever achieve or maintain profitability. Even if we do achieve profitability, we may not be able to sustain or increase profitability.

Until we receive regulatory approval for sales of product candidates incorporating our licensed and/or patented technologies, we cannot sell our product candidates and will not have revenues from sales. The research, development, production, and marketing of new products require the application of considerable technical and financial resources. However, any revenues generated from such product candidates, assuming they are successfully developed, marketed, and sold, may not be realized for a number of years.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

WE ARE IN THE EARLY STAGES OF PRODUCT CANDIDATE DEVELOPMENT. OUR PRODUCT CANDIDATES MAY NOT BE EFFECTIVE AT A LEVEL SUFFICIENT TO SUPPORT A PROFITABLE BUSINESS VENTURE. IF THEY ARE NOT, WE WILL BE UNABLE TO CREATE MARKETABLE PRODUCT CANDIDATES AND WE WILL HAVE TO CEASE OPERATIONS.

Our product candidates are in the preliminary development stage, have not been approved for marketing by any regulatory authority and cannot be commercially distributed in any markets until such approval is obtained. We cannot assure you that our monoclonal antibody therapies, Chimigen' vaccines and tumor starvation therapies will be effective at a level sufficient to support a profitable business venture. The science on which our technologies are based may also fail due to flaws or inaccuracies in the data, or because the data are not predictive of future results. The science upon which our business is based may prove to be totally or partially incorrect. Because our science may be flawed or incorrect, we may never be able to create a marketable product. If we are unable to do so, we will not generate

revenues, we will have to cease operations, and investors risk losing their entire investment.

In addition, it takes a significant period of time for new vaccines, monoclonal antibody therapies and therapeutic drugs to be developed, to obtain the necessary regulatory approvals to permit sales, to establish appropriate distribution channels and market acceptance, and to obtain insurer reimbursement approval. This time period is generally not less than 10 years. None of our therapeutic product candidates has been commercialized and completion of the commercialization process for any of our product candidates will require significant investments of time and funds. We cannot predict either the total amount of funds that will be required, or assure you that we will be successful in obtaining the necessary funds. It is also not possible for us to predict the time required to complete the regulatory process or if there will be sufficient market demand at such time. If any of our product candidates are approved, we cannot give assurances that it will be possible to produce them in commercial quantities at reasonable cost, successfully market them, or whether any investment made by us in the commercialization of any product candidates would be recovered through sales, license fees, or related royalties. Furthermore, the time it takes for product candidates to reach market acceptance exposes us to significant additional risks, including the development of competing products, loss of investor interest, changing market needs, changes in personnel, and regulatory changes.

Since the process of discovering and developing cancer therapies and treatments for chronic viral infections is our core business, we anticipate that we will remain engaged in research and development for the foreseeable future. As one or two product candidates advance to commercialization, we expect that other potential products will replace them as research and development candidates. We estimate that OvaRexÒ MAb is a minimum of two years away from approval and commercialization and Occlusin' Injection is a minimum of fours years away from approval and commercialization, HepaVaxx is a minimum of 6 years away from approval and commercialization, although these processes could take much longer.

WE RELY ON, AND INTEND IN THE FUTURE TO CONTINUE TO RELY ON, LICENSES FROM THIRD PARTIES AND ANY BREACH OR TERMINATION OF THESE LICENSE ARRANGEMENTS COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL CONDITION, AND RESULTS OF OPERATIONS.

We cannot assure you that we will obtain any additional required licenses, that our existing licenses or new licenses, if obtained, will not terminate, or that they will be renewed. The failure to obtain, the termination of, or the failure to renew any of these licenses would have a material adverse effect on our pre-clinical and clinical programs and may cause us to suspend or cease our operations. In addition, we cannot assure you that these licenses will remain in good standing or that the technology we have licensed under these agreements has been adequately protected or is free from claims of infringement of the intellectual property rights of third parties.

Pursuant to the terms of the licenses and any agreements we may enter into in the future, we are and could be obligated to exercise diligence in bringing potential products to market and to make license payments and certain potential milestone payments that, in some instances, could be substantial. We are obligated and may in the future be obligated, to make royalty payments on the sales, if any, of product candidates resulting from licensed technology and, in some instances, may be responsible for the costs of filing and prosecuting patent applications. Because we require additional funding, we may not be able to make payments under current or future license agreements, which may result in our breaching the terms of any such license agreements. Any breach or termination of any license could have a material adverse effect on our business, financial condition, and results of operations.

OUR FAILURE TO PROTECT OUR INTELLECTUAL PROPERTY OR OUR INFRINGEMENT ON THE PROPERTY RIGHTS OF OTHERS MAY IMPEDE OUR ABILITY TO OPERATE FREELY

We rely significantly upon proprietary technology and protect our intellectual property through patents, copyrights, trademarks and contractual agreements as appropriate. We own or exclusively license 6 issued U.S. patents having expiration dates ranging from 2016 to 2021. As we develop our product candidates, we may discover more about it which will require additional patent prosecution. Thus, we continually evaluate our technology to determine whether to make further patent filings.

To the extent aspects of our technology may be unpatentable, we may decide to maintain such technology as trade secrets or we may protect such unpatented technology by contractual agreements. Our unpatented technology or similar technology could be independently developed by others. In addition, the contractual agreements by which we protect our unpatented technology and trade secrets may be breached. If technology similar to ours is independently developed or our contractual agreements are breached, our technology will be less valuable and our business will be harmed.

There is always a risk that issued patents may be subsequently invalidated, either in whole or in part, and this could diminish or extinguish our patent protection for key elements of our technology. We are not involved in any such litigation or proceedings, nor are we aware of any basis for such litigation or proceedings. We cannot be certain as to the scope of patent protection, if any, which may be granted on our patent applications.

Our potential products or business activities could be determined to infringe intellectual property rights of third parties despite our issued patents. Any claims against us or any purchaser or user of our potential products asserting that such product or process infringes intellectual property rights of third parties, if determined adversely to us, could have a material effect on our business, financial condition or future operations. Any asserted claims of infringement, with or without merit, could be time consuming, result in costly litigation, divert the efforts of our technical and management personnel, or require us to enter into royalty or licensing agreements, any of which could materially adversely affect our operating results. Such royalty or licensing agreements, if required, may not be available on terms acceptable to us, if at all. In the event a claim is successful against us and we cannot obtain a license to the relevant technology on acceptable terms, license a substitute technology or redesign our potential products to avoid infringement, our business, financial condition and operating results would be materially adversely affected.

OUR BUSINESS IS SUBJECT TO SIGNIFICANT GOVERNMENT REGULATION AND FAILURE TO ACHIEVE REGULATORY APPROVAL OF OUR DRUG CANDIDATES WOULD SEVERELY HARM OUR BUSINESS.

The FDA regulates the development, testing, manufacture, record-keeping, labeling, distribution, and promotion of pharmaceutical products in the United States pursuant to the Food, Drug, and Cosmetic Act and related regulations. We must receive premarket approval by the FDA prior to commercial sale in the U.S. of any of our product candidates. Similar regulations are enforced by Health Canada and by other regulatory agencies in each jurisdiction in which we seek to do business. The regulatory review process is lengthy and expensive, and the outcome of the approval process is uncertain. Before receiving approval we must acquire and submit extensive preclinical and clinical data and supporting information for each indication to establish the safety and efficacy of our drug candidates. In addition, we must show that we can produce our drug candidates consistently at quality levels suitable for administration in humans in accordance with a complex set of regulations known as current Good Manufacturing Practices (cGMP's). Premarket approval is a lengthy and expensive process and takes several years. Future legislation or changes in FDA policy may change during the period of potential product development and clinical trials. We may not be able to obtain FDA approval or approval from other regulatory agencies for any commercial sale of any drug candidate. We may encounter delays or rejections in the regulatory approval process at any time. Even if approval is

obtained, the FDA may determine that additional clinical trials are required after marketing has begun. Except for any potential licensing or marketing arrangements with other pharmaceutical or biotechnology companies, we will not generate any revenues in connection with our drug candidates unless and until we obtain clearance from the FDA, Health Canada or comparable agencies in each market to commercialize our product candidates. Given the uncertainty, extensive time, and financial expenditures involved in moving a drug through the regulatory and clinical trial process in Europe, Canada, the United States, and elsewhere, we may never be able to successfully develop safe, commercially viable products. If we are unable to do so, we may have to cease operations.

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WE ARE DEPENDENT ON THE SUCCESSFUL OUTCOME OF PRECLINICAL TESTING AND CLINICAL TRIALS.

None of our product candidates are currently approved for sale by the FDA, by Health Canada or by any other regulatory agency in the world, and they may never receive approval for sale or become commercially viable. Before obtaining regulatory approval for sale, each of our product candidates must be subjected to extensive preclinical and clinical testing to demonstrate safety and efficacy for each proposed indication for human use. Our success will depend on the successful outcome of our preclinical testing and clinical trials.

There are multiple risk factors associated with conducting clinical trials of our investigational drug and device product candidates. There may be unforeseen delays in identifying and reaching agreement on acceptable terms with institutional review boards of clinical trial providers with respect to proposed clinic study protocols. There may also be delays in reaching satisfactory financial agreements with prospective clinical trial sites and the investigators themselves.

There may be regulatory delays of clinical trials related to obtaining U.S. Food and Drug Administration ("FDA"), Health Canada, European Medicines Agency ("EMEA"), or other regulatory agency clearance to begin patient treatment in a clinical trial. A common issue in conducting clinical trials are the delays encountered in the enrollment of patients, which may significantly prolong the length of time required to conduct clinical studies.

A prime risk factor of clinical trials is that the study outcome may reveal that the product candidate does not demonstrate the anticipated level of effectiveness in the target patient population, which will affect the approvability of the potential product by regulatory agencies. Similarly, clinical trials may show that an investigational product causes adverse events in the patients that are unacceptable in nature or frequency in the intended patient population to be treated with the drug.

Our most advanced product candidate, OvaRexÒ MAb is in Phase III clinical testing in the United States, and our second most advanced product candidate Occlusin' Injection is in Phase I clinical testing. Historically, the results from preclinical testing and from early clinical trials often have not been predictive of results obtained in later clinical trials. Frequently, drugs that have shown promising results in preclinical or early clinical trials subsequently fail to demonstrate sufficient evidence of safety or effectiveness necessary to obtain regulatory approval. Our success will depend on the success of our current clinical trials and subsequent clinical trials that have not yet begun. Moreover, regulatory agencies such as the FDA and Health Canada may impose specific standards on the evaluation of tumor response in individual patients which may differ from those of ViRexx or its clinical advisors. These different standards may lead the regulatory agency to conclude that study subjects receiving any of ViRexx's product candidates have had a more modest clinical response than did ViRexx or its clinical advisors.

In addition to the risks mentioned, there are a number of other difficulties and risks associated with clinical trials. The possibility exists that:

(a) we may discover that our product candidates may cause, alone or in combination with another therapy, unacceptable side effects or are not effective at all;
(b) we may discover that our product candidates, alone or in combination with another therapy, does not exhibit the expected therapeutic results in humans;
(c) results from early trials may not be predictive of results that will be obtained from large-scale, advanced clinical trials as mentioned above;
(d) we or the FDA or other regulatory agencies may suspend the clinical trials of one or more of our product candidates;
(e) patient recruitment may be slower than expected;
(f) patients may drop out of our clinical trials; and
(g) there may be cost overruns.

Although the U.S. FDA has given OvaRexÒ MAb orphan drug status for its use in ovarian cancer, this status does not diminish any of the requirements for market approval. Given the uncertainty surrounding the regulatory and clinical trial process, we may not be able to develop safety, efficacy or manufacturing data necessary for approval of our product candidates. In addition, even if we receive approval, such approval may be limited in scope and affect the commercial viability of such product candidate. If we are unable to successfully obtain approval to commercialize any product candidate, this would materially harm our business, impair our ability to generate revenues and adversely impact our stock price.

DELAYS IN CLINICAL TRIALS WILL CAUSE US TO INCUR ADDITIONAL COSTS, WHICH COULD JEOPARDIZE THE TRIALS AND ADVERSELY AFFECT OUR LIQUIDITY AND FINANCIAL RESULTS.

Due to the high costs of clinical trials, a delay in our trials, for any reason, will require us to spend additional funds to keep our product candidates moving through the regulatory process. If we do not have or cannot raise the necessary additional funds, the testing of our product candidates could be cancelled. If we are required to spend additional funds, it will require us to spend funds that could have been used for other purposes and could adversely affect our liquidity and financial results.

WE RELY ON CLINICAL INVESTIGATORS AND CONTRACT RESEARCH ORGANIZATIONS TO CONDUCT OUR CLINICAL TRIALS.

We rely, in part, on independent clinical investigators and contract research organizations to conduct our clinical trials. Contract research organizations also assist us in the collection and analysis of the data generated from these clinical trials. These investigators and contract research organizations are not our employees and we cannot control, other than by contract, the amount of resources, including time, that they devote to our product candidates and our clinical trials. If independent investigators fail to devote sufficient resources to our clinical trials, or if their performance is substandard, these factors may delay any possible approval and commercialization of our product candidates and could harm our chances of obtaining regulatory approval. Further, most national regulatory agencies require that we comply with standards, commonly referred to as "good clinical practice", for conducting, recording, and reporting clinical trials to assure that data and reported results are credible and accurate and that the rights, integrity, and confidentiality of trial subjects are protected. If our independent clinical investigators and contract research organizations fail to comply with good clinical practice, the results of our clinical trials could be called into question and the clinical development of our product candidates could be delayed or halted. The failure of clinical investigators and contract research organizations to meet their obligations to us or comply with good clinical practice procedures could adversely affect the clinical development of our product candidates, and have a material adverse

effect on our business, financial condition, and results of operations.

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WE ARE DEPENDENT ON STRATEGIC PARTNERS AS PART OF OUR PRODUCT CANDIDATE DEVELOPMENT STRATEGY, AND WE WOULD BE NEGATIVELY AFFECTED IF WE ARE NOT ABLE TO INITIATE OR MAINTAIN THOSE RELATIONSHIPS.

If any of our product candidates in addition to OvaRexÒ MAb advance to, and subsequently successfully complete, Phase II clinical trials, we intend to either finance further clinical development ourselves, or enter into strategic partnerships whereby third parties will finance further clinical development, such as Phase III clinical trials. We cannot assure you, however, that we will be able to find partners and establish such relationships on favorable terms, if at all, or that any such future arrangements will be successful.

Should any partner fail to develop or commercialize successfully any product candidates to which it has rights, our business, financial condition, and results of operations may be adversely affected. The failure of any collaborative partner to continue funding any particular program, for any reason, could delay or halt the development or commercialization of any potential product arising out of a particular program. In addition, we cannot assure you that any of our future partners would not pursue alternative technologies or develop alternative product candidates either on their own or in collaboration with others, including our competitors, as a means for developing treatments for the diseases targeted by our programs.

THERE ARE RISKS INHERENT IN RELYING ON A SOLE SOURCE SUPPLIER FOR SOME OF OUR MATERIALS.

We are reliant upon the supply of raw materials from key suppliers in the manufacture of our product candidates. These key suppliers currently meet our manufacturing requirements but they could default in the supply of the raw material for several reasons, including insolvency, lack of regulatory compliance, inability to manufacture sufficient quantities of the raw material, fire, and natural disasters. Although we have made every effort to identify alternate source suppliers of these raw materials, there is no guarantee that supply agreements would be established with these suppliers if the primary supplier defaults in the supply of raw material. If we are unable to procure the requisite raw materials for the manufacture of product candidates, then we might not be able to manufacture sufficient quantities of the drug candidate for pre-clinical and clinical testing purposes.

WE RELY ON OUR STRATEGIC RELATIONSHIP WITH UNITED THERAPEUTICS

In April 2002, our subsidiary, AltaRex, entered into an Exclusive License Agreement with United Therapeutics Corporation (“United Therapeutics”) for the development and commercialization of OvaRex® MAb and four other monoclonal antibodies worldwide, with the major exception of the member nations of the European Union and certain other countries. In August of 2003, the Exclusive License Agreement was extended to include Germany. Under the Exclusive License Agreement, United Therapeutics is responsible for the development of our intellectual property with respect to the five antibodies, including the commercialization of the five antibodies in the licensed territory. In particular, United Therapeutics has agreed to pay us certain amounts based upon the achievement of specified milestones together with royalties based upon sales of potential products utilizing or incorporating the licensed technology sold in the licensed territory. If United Therapeutics does not devote the resources necessary or does not advance the clinical development of the potential products, particularly OvaRex® MAb, we will be materially adversely affected.

WE RELY ON COLLABORATIVE ARRANGEMENTS FOR MANUFACTURING OUR CLINICAL TRIAL MATERIAL AND PRODUCT CANDIDATES

We are reliant upon United Therapeutics for all manufacturing responsibilities. We can make no assurance that delays will not be encountered in the remaining product candidate development and manufacturing activities required for regulatory filings for OvaRex® MAb, or that United Therapeutics' manufacturing decisions would be appropriate for ViRexx and its other collaborators. Also, if long-term arrangements for the production of OvaRex® MAb and other antibodies cannot be entered into, we may experience delays in the development and commercialization of its product candidates. In addition, if these contract suppliers fail to perform under the terms of the agreement, we may incur significant costs.

Scaling-up production and producing multiple consistency lots of cell culture-derived materials will enable us and United Therapeutics to further pursue regulatory approval and commercialization of OvaRex® MAb. Such regulatory approval and commercialization is dependent upon our and United Therapeutics' ability to achieve such improvements in production.

WE ARE REQUIRED TO COMPLY WITH REGULATIONS WHICH ARE ADMINISTERED BY REGULATORY AUTHORITIES IN CANADA, UNITED STATES AND EUROPE.

Regulations imposed by governmental drug regulatory agencies in the U.S., Canada, and other countries are a significant factor in the conduct of the research, development, manufacturing and eventual marketing activities of our candidate products. In the U.S., drug and device products are subject to regulation by the FDA. In Canada, these activities are regulated by Health Canada, and in Europe by EMEA. Regulators in the U.S., Canada and Europe follow much the same drug and device approval process. Companies must establish that their candidate products are safe and effective and that their manufacture complies with GMP before they are allowed to market a new drug or device product in that regulatory jurisdiction.

Even if regulatory approval to market a pharmaceutical product candidate is obtained from FDA, Health Canada or EMEA, the company may have to expend substantial time and resources to obtain similar regulatory approval to sell the product candidate in other regulatory jurisdictions. This could limit the market opportunity for the product candidate until regulatory approval is obtained in the other markets and this would adversely affect the operating results of the company.

EVEN IF OUR PRODUCT CANDIDATES RECEIVE ALL OF THE REQUIRED REGULATORY APPROVALS, WE HAVE NO GUARANTEE OF MARKET ACCEPTANCE OR COMMERCIALIZATION OF THE RESULTING PRODUCT CANDIDATES, WHICH WILL BE DETERMINED BY OUR SALES, MARKETING, AND DISTRIBUTION CAPABILITIES AND THE POSITIONING AND COMPETITIVENESS OF OUR PRODUCT CANDIDATES, COMPARED WITH ANY ALTERNATIVES.

Even if our product candidates receive all necessary regulatory approvals and clearances, they may not gain market acceptance among physicians, patients, healthcare payors, and the medical community. The degree of market acceptance of any product candidate that we may develop will depend on a number of factors, including marketing and distribution support for the product candidates, establishment and demonstration of the cost-effectiveness of the product candidates, and the potential advantage of our product candidates over any alternatives. Even after successful commercialization of one or more product candidates, we may never achieve profitability. We currently do not have any sales, marketing, or distribution capabilities, and therefore must either acquire or internally develop sales, marketing, and distribution capabilities or make arrangements with third parties to perform these services.

If our product candidates demonstrate sufficient clinical benefit to obtain regulatory approval for marketing, we intend to seek third parties as partners to market, sell, and distribute such product candidates. These distribution partners may not promote our product candidates as aggressively as we would like, may not be successful in their sales and distribution efforts, may experience financial difficulty or lack the marketing or financial ability to adequately market our product candidates, or may fail to promote our product candidates altogether. Third party marketers may be involved in the sale of competing products and fail to market our product candidates due to this conflict. In addition, if the profit margins on our product candidate do not favourably compare with other products being marketed by a third party marketer, our product candidates may not be promoted as readily. As in the case of any contractual relationship if either party defaults under the marketing agreement, sales of our product candidates may suffer. If we terminate a marketer of our product candidates, we may not be able to find an immediate replacement. Any of these events would have a material adverse effect on our business, financial condition, and results of operations. These events may also lead us to try to establish our own marketing and sales force. The acquisition or development of a sales and distribution infrastructure would require substantial resources, which may divert the attention of our management and key personnel, and have a negative impact on our potential product development efforts. Moreover, we may not be able to establish in-house sales and distribution capabilities or relationships with third parties.

If successfully developed, our product candidates will compete with a number of drugs and therapies currently manufactured and marketed by major pharmaceutical and other biotechnology companies. These product candidates may also compete with new products currently under development by other pharmaceutical and biotechnology companies, and with products which may cost less than our product candidates or may be more effective than our product candidates. If our product candidates do not achieve significant market acceptance, our business, financial condition, and results of operations will be materially adversely affected.

REIMBURSEMENT PROCEDURES AND FUTURE HEALTHCARE REFORM MEASURES ARE UNCERTAIN AND MAY ADVERSELY IMPACT OUR ABILITY TO SUCCESSFULLY SELL OR LICENSE ANY PHARMACEUTICAL PRODUCT CANDIDATE.

If any of our potential products is approved for commercialization by national regulatory authorities, the extent of sales will depend upon the availability of reimbursement from third-party payors such as Medicare in the United States and similar government health administration authorities in other countries, as well as private health insurers and other organizations. Our ability to successfully sell or license any pharmaceutical product candidate will depend in part on the extent to which government health administration authorities, private health insurers and other organizations will reimburse patients or providers for the costs of any future pharmaceutical product candidates and related treatments. Each jurisdiction has its own regulatory scheme. Significant variation exists as to the reimbursement status of newly approved healthcare products, and we cannot assure you that adequate third party coverage will be available to establish price levels sufficient for us to realize an appropriate return on our investment in developing new product candidates or for existing product candidates. Increasingly, government and other third-party payors are attempting to contain health care costs by limiting both coverage and the level of reimbursement for new therapeutic product candidates. Reimbursement levels may be related to issues of cost-effectiveness, which are evaluated differently in different jurisdictions. Inadequate coverage or reimbursement could adversely affect market acceptance of our product candidates. Recently, the prices of medical products and services have been examined and challenged by third parties and consumers of such products and services. Successful challenges or government reform in this area could negatively affect our profitability.

In the United States, government and other third-party payers have sought to contain healthcare costs by limiting both coverage and the level of reimbursement for new pharmaceutical products approved for marketing by the FDA. In some cases, these payers may place conditions on the use of new products which limit their market penetration or may refuse to provide any coverage for uses of approved products to treat medical conditions even though the FDA has granted marketing approval. Healthcare reform may increase these cost containment efforts. U.S. managed care organizations and government health insurance programs may seek to restrict the use of new products, delay authorization to use new products or limit coverage. New rule making by the Center for Medicare and Medicaid Services could affect drug coverage and payments by Medicare. Internationally, where national healthcare systems are prevalent, little if any funding may be available for new products, and cost containment and cost reduction efforts can be more pronounced than in the United States.

COMPETITIVE PRODUCTS AND TECHNOLOGIES MAY REDUCE DEMAND FOR OUR PRODUCT CANDIDATES AND TECHNOLOGIES.

Our success depends upon maintaining our competitive position in the research, development, and commercialization of products and technologies in our area of expertise. Competition from pharmaceutical, chemical and biotechnology companies, and universities and research institutes is intense and expected to increase. Many of these competitors have substantially greater research and development capabilities, experience in manufacturing, marketing, financial, and managerial resources than we do and represent significant competition for us.

We cannot assure you that developments by others will not render our product candidates or technologies non-competitive or obsolete, or that we will be able to achieve the level of acceptance within the medical community necessary to compete successfully. We are aware of several potential competitors that are at various stages of development or that have commercial sales of products that may address similar cancer indications. The success of our competitors and their products may have a material adverse impact on our business, financial condition, and results of operations.

OUR INDUSTRY IS CHARACTERIZED BY RAPID CHANGE AND A FAILURE BY US TO REACT TO THESE CHANGES COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS.

The biotechnology industry is characterized by rapid and substantial technological change. Alternative forms of medical treatment may render our technologies or product candidates of lower or no value in the future. Our future success depends on our ability to adapt to this change and keep pace with new technological developments and emerging industry standards, and we cannot assure you that we will be able to do so.

IF WE FAIL TO HIRE OR RETAIN NEEDED PERSONNEL, THE IMPLEMENTATION OF OUR BUSINESS PLAN COULD SLOW AND FUTURE GROWTH COULD SUFFER.

Our success depends in large part upon our ability to attract and retain highly qualified scientific and management personnel. Competition to retain personnel in the biotechnology field from other companies, academic institutions, government entities, and other organizations is intense. We cannot assure you that we will retain our current personnel and will be able to continue to attract qualified personnel, and any failure to do so could slow implementation of our business plan or future growth. To date, however, we have had no difficulties attracting and retaining highly qualified scientific and management personnel. Additionally, none of our scientific or management personnel have indicated that they have plans to retire or leave our company in the foreseeable future except for Dr. Antoine Noujaim who is taking an extended leave of absence due to illness. He has been replaced as CEO by Dr. Lorne Tyrrell. In addition our CFO has resigned and been replaced by Marc Canton as acting CFO. We have as of the date hereof hired a CFO.

THE LOSS OF THE SERVICES OF OUR CHIEF EXECUTIVE/CHIEF SCIENTIFIC OFFICER COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS.

We are highly dependent on the knowledge and services of our Chief Executive/Chief Scientific Officer. If we were to lose his services, it would be difficult and costly to find a replacement, it would have a severe impact on the implementation of our business plans and our future growth would suffer.

WE ARE RELIANT ON A KEY EMPLOYEE.

Dr. Lorne Tyrrell would be the only person employed by us we would consider a key employee upon whom we are dependent. He occupies the dual roles of Chief Executive Officer and Chief Scientific Officer. We do not have "key person" insurance with respect to our Chief Executive/Chief Scientific Officer. ViRexx and Dr. Tyrrell have entered into an employment agreement that may be terminated by either party on two months' written notice without cause or by us without prior notice for reasons of just cause. The term is a continuing term until either party terminates. There are no other members of our management or scientific staff whose departure would have a material effect on our business. We have not had any problems attracting and retaining qualified employees.

WE CONDUCT CERTAIN ELEMENTS OF OUR BUSINESS INTERNATIONALLY, AND THE DECISIONS OF SOVEREIGN GOVERNMENTS COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR FINANCIAL CONDITION.

We may conduct certain elements of our business internationally. We are conducting clinical trials in Canada. We intend to, and may conduct clinical trials in other jurisdictions. Sovereign governments, including Canada, may establish laws or regulations that will be deleterious to our interests or that will affect our ability, as a foreign corporation, to obtain access to regulatory agencies in foreign jurisdictions. Governments have also, from time to time, established foreign exchange controls which could have a material adverse effect on our business, financial condition, and results of operations. To date, neither our operations nor our financial condition have been materially impacted due to laws or regulations of sovereign governments.

OUR OPERATING RESULTS MAY BE SUBJECT TO CURRENCY FLUCTUATIONS, AS OUR OPERATIONS ARE BASED LARGELY IN CANADA, WHILE SOME OF OUR EXPENSES ARE IN U.S. DOLLARS OR OTHER FOREIGN CURRENCIES.

Our operations are based in Canada, while some of our expenses, in particular those related to clinical trials, are in U.S. dollars or currencies other than Canadian dollars. As at December 31, 2005, approximately 70% of our payments made in relation to accounts payable were made in Canadian dollars, approximately 30% were made in U.S. dollars. The exchange rates among the Canadian dollar, the U.S. dollar, and other foreign currencies are subject to daily fluctuations in the currency markets and these fluctuations in market exchange rates are expected to continue in the future. We do not engage in currency hedging activities to limit the risks of these fluctuations. We are subject to risks associated with these currency fluctuations which may, from time to time, impact our financial position and results of operations.

OUR INSURANCE MAY NOT BE SUFFICIENT AND WE MAY BE EXPOSED TO LAWSUITS AND OTHER CLAIMS RELATED TO OUR PRODUCT CANDIDATES IN CLINICAL STUDIES AND PRODUCT LIABILITY WHICH COULD INCREASE OUR EXPENSES, HARM OUR REPUTATION, AND KEEP US FROM GROWING OUR BUSINESS.

The sale and use of human therapeutic products, including those product candidates we are developing, involve an inherent risk of product liability claims and adverse publicity. Clinical studies include trials on humans. These studies create a risk of liability for side effects to participants resulting from an adverse reaction to the medications being tested or resulting from negligence or misconduct. While we currently maintain limited insurance related to our ongoing clinical trials, we cannot assure you that this insurance will continue to be available to us on commercially reasonable terms. Any claims might also exceed the amounts of this coverage. If we are unable to obtain our insurance at reasonable rates or otherwise protect ourselves against potential liability proceedings, we may be required to slow down any future development of product candidates or may even be prevented from developing the product candidates at all. Our obligation to pay indemnities or withdraw a product candidate from clinical trials following complaints could have a material adverse effect on our business, financial condition, and results of operations. Claims against us, regardless of their merit or potential outcome, may also result in severe public relations problems that could seriously damage our reputation and business viability.

In addition, certain drug retailers require minimum product liability insurance coverage as a condition of purchasing or accepting products for retail distribution. If any of our product candidates are successfully developed and approved for commercial sale, it is our intention to obtain adequate product liability insurance before the product candidates are marketed. Failure to satisfy these insurance requirements could impede our ability or that of any potential distributors of our product candidates to achieve broad retail distribution of these product candidates, which would have a material adverse effect on our business, financial condition, and results of operations.

WE USE HAZARDOUS MATERIALS THAT ARE HIGHLY REGULATED AND WE MAY BE EXPOSED TO POTENTIAL LIABILITY IN THE EVENT OF AN ACCIDENT INVOLVING THESE MATERIALS; OUR COMPLIANCE WITH ENVIRONMENTAL REGULATIONS COULD BE COSTLY IN THE FUTURE.

Our discovery and development processes involve the controlled use of radioactive and hazardous materials. We are subject to Canadian federal, provincial, and local laws and regulations governing the use, manufacture, storage, handling and disposal of these materials and certain waste products. The risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of an accident of this nature, we could be held liable for any damages that result and any liability of this kind could exceed our resources and, if so, we may have to cease operations. We have general liability insurance which may not be sufficient to cover the cost of any injuries or other damage sustained in respect of these risks. Our coverage limitations under our insurance policies are described above under "OUR INSURANCE MAY NOT BE SUFFICIENT AND WE MAY BE EXPOSED TO LAWSUITS AND OTHER CLAIMS RELATED TO OUR PRODUCT CANDIDATES IN CLINICAL STUDIES AND PRODUCT LIABILITY WHICH COULD INCREASE OUR EXPENSES, HARM OUR REPUTATION, AND KEEP US FROM GROWING OUR BUSINESS". We cannot assure you that we will not be required to incur significant costs to comply with environmental laws and regulations in the future, or that our operations, business, or assets will not be materially adversely affected by current or future environmental laws or regulations.

IT IS POSSIBLE THAT OUR AIT', CHIMIGEN' AND T-ACT' TECHNOLOGIES HAVE ADVERSE SIDE EFFECTS OR CAUSE UNDESIRABLE REACTIONS ALTHOUGH WE ARE NOT AWARE OF ANY AT PRESENT.

AIT™ platform

The AIT™ platform is based on the delivery of small amounts of a murine monoclonal antibody to patients with cancer. There is a risk that a patient may develop an anaphylactic event upon further exposure to a murine antibody. This risk is tempered by preliminary studies with OvaRex® MAb in >500 ovarian cancer patients demonstrating a benign safety profile for the product candidate

Chimigen™ platform

Since the Chimigen™ molecule incorporates a portion of a murine antibody, it is possible that patients receiving a Chimigen™ vaccine could develop an anaphylactic adverse event similar to that discussed for the AIT™ platform above. In addition, a Chimigen™ vaccine is designed to induce both humoral and cellular immunities against the viral antigen epitope(s) contained in the vaccine. This immunity can lead to the death of cells infected with the target virus. Patients chronically infected with hepatitis B or C could suffer adverse events associated with the destruction of liver cells following immunization with a Chimigen™ vaccine such as HepaVaxx B or HepaVaxx C. This could be important in patients that have impaired liver function and could impact the eligibility of a patient to receive a Chimigen™-based therapy.

T-ACT™ platform

T-ACT™ technology is based on the induction of a specific platelet-dependent clot at a desired location. A potential risk of this technology is that a clot may break-up and localize at other locations in the body. Another potential risk is that injected material could reach the systemic circulation through AV shunts in the target vasculature. These risks are mitigated using angiographic analysis of the target blood vessels prior to treatment.

All of these risks will be continuously monitored during the conduct of all phases of the clinical trials and should any serious adverse event occur, this event will be reported to the appropriate regulatory agencies for immediate action.

RISKS RELATING TO OUR COMMON SHARES

AS WE ARE A CANADIAN COMPANY, THERE MAY BE LIMITATIONS ON THE ENFORCEMENT OF CERTAIN CIVIL LIABILITIES AND JUDGMENTS OBTAINED IN THE UNITED STATES AGAINST US.

We are amalgamated under the laws of the province of Alberta, Canada and our assets are located outside of the United States. Except for one of our directors, all of our directors and officers, as well as the expert named in this Annual Report, are residents of Canada, and all or a substantial portion of the assets of these persons are located outside of the United States. As a result, it may not be possible for shareholders effect service of process within the United States upon us or those persons. Furthermore, it may not be possible for shareholders to enforce against us or them in the United States judgments obtained in U.S. courts based upon the civil liability provisions of the U.S. Federal securities laws or other laws of the U.S. Therefore, it may not be possible to enforce those actions against us, most of our directors and officers or the expert named in this Annual Report. In addition, there is doubt as to the enforceability, in original actions in Canadian courts, of liabilities based upon the U.S. Federal securities laws.

WE HAVE NOT PAID, AND DO NOT INTEND TO PAY, ANY CASH DIVIDENDS ON OUR COMMON SHARES AND THEREFORE OUR SHAREHOLDERS MAY NOT BE ABLE TO RECEIVE A RETURN ON THEIR SHARES UNLESS THEY SELL THEM.

We have never paid dividends on our common shares and we do not expect to have the ability to pay dividends in the foreseeable future. If we generate earnings in the future, we expect that they will be retained to finance further growth. The board of directors of ViRexx will determine if and when dividends should be declared and paid in the future based on our financial position and other factors relevant at the particular time. Until we pay dividends, which we may never do, you will not be able to receive a return on your investment in our common shares unless you sell them, which you may only be able to do at less than the price you paid for them.

THE MARKET PRICE AND TRADING VOLUME OF OUR COMMON SHARES MAY BE VOLATILE.

The market price and trading volume of our common shares on the TSX and since we listed on the AMEX on December 22, 2005, has experienced significant volatility and will likely continue to do so, which has been or could be in response to numerous factors, including:

(a) quarterly variations in operating results;
(b) market conditions in the industry;
(c) announcements of results of testing, technological innovations or
(d) announcements by our customers or competitors, developments affecting government regulations, developments concerning proprietary rights, litigation, and
public concerns as to the safety of our product candidates;
(e) announcements of acquisitions;
(f) general fluctuations in the stock market; and
(g) revenues and results of operations below the expectations of the public market.

Any of these factors could result in a sharp decline in the market price of our common shares.

Since January 1, 2005, the trading price of our common shares has ranged from a low of $0.89 per share to a high of $2.13 per share on the TSX and from December 22, 2005, to March 31, 2006, it has ranged from $1.08 to $1.46 (USD) per share on the AMEX. Price fluctuations during that period were generally in keeping with general trends in the stock price of biotech companies generally.

During 2005 and the first three months of 2006 an average of approximately 68,785 of our shares traded per day on the TSX and following our listing on the AMEX an average of 38,812 of our shares traded on the AMEX. On some trading days our shares have had limited trading volume. In addition, stock markets have occasionally experienced extreme price and volume fluctuations. Historically, the market prices for the securities of biotech companies, including ours, have been particularly affected by these market fluctuations, and these effects have often been unrelated to the operating performance of these particular companies. These broad market fluctuations may cause a decline in the market price of our common shares.

THE SIGNIFICANT COSTS THAT WE WILL INCUR AS A RESULT OF BEING A PUBLIC COMPANY IN THE UNITED STATES AND CANADA COULD ADVERSELY AFFECT OUR BUSINESS.

We have listed our common shares on AMEX, and therefore we will incur significant legal, accounting and other expenses as a public company on both AMEX and the TSX. These expenses include, among others, costs with respect to preparing securities regulatory filings, costs in connection with compliance with the internal control audit provisions of the Sarbanes-Oxley Act of 2002, costs in connection with other provisions of the Sarbanes-Oxley Act, AMEX listing fees and potentially higher director and officer insurance premiums. We currently expect our annual compliance expenses to increase by approximately $100,000 (USD) per year because of our listing on AMEX. In addition, the requirements we face by being listed on AMEX will impose significant time demands on our management. Although it has not yet been a problem for us, becoming subject to the reporting obligations of the Exchange Act could make it more difficult for us to attract and retain qualified individuals to serve on the board of directors of ViRexx or as executive officers.

AS A FOREIGN PRIVATE ISSUER, WE ARE SUBJECT TO DIFFERENT U.S. SECURITIES LAWS AND RULES THAN A DOMESTIC ISSUER, WHICH MAY, AMONG OTHER THINGS, LIMIT THE INFORMATION AVAILABLE TO HOLDERS OF OUR SECURITIES.

As a foreign private issuer, we are subject to requirements under the Securities Act and the Securities Exchange Act of 1934, as amended, or the Exchange Act, which are different from the requirements applicable to domestic U.S. issuers. For example, our officers, directors, and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and the rules thereunder with respect to their purchases and sales of our common shares. The periodic disclosure required of foreign private issuers is more limited than the periodic disclosure required of U.S. issuers and therefore there may be less publicly available information about us than is regularly published by or about U.S. public companies in the United States. Also, we are not required to comply with Regulation FD, which restricts the selective disclosure of material information.

Item 4. Information on ViRexx

A. History and Development of ViRexx

The legal and commercial name of the Corporation is ViRexx Medical Corp.

ViRexx is a corporation amalgamated under the laws of the Province of Alberta, Canada pursuant to the provisions of the Alberta *Business Corporations Act* (“ABCA”). Our head office is located at 8223 Roper Road, Edmonton, Alberta, Canada, T6E 6S4, and its registered office is located at 1500 Manulife Place, 10180 - 101 Street, Edmonton, Alberta, Canada T5J 4K1. Its common shares are listed and posted for trading on the Toronto Stock Exchange (“TSX”) under the symbol “VIR”and the American Stock Exchange (“AMEX”) under the symbol “REX”.

ViRexx is the corporation resulting from the amalgamation of ViRexx Research Inc. (“ViRexx Research”), Norac Industries Inc. (“Norac”) and Norac Acquisitions Inc. (“NAI”), a wholly owned subsidiary of Norac, under the ABCA on December 23, 2003 (the “ViRexx Amalgamation”). Pursuant to the ViRexx Amalgamation holders of Norac subordinate voting shares (the “Norac A Shares”) received 0.2244667 common shares of ViRexx (“ViRexx Shares”) for each Norac A Share held and holders of Norac multiple voting shares (the “Norac B Shares”) received 0.0000004 ViRexx Shares for each Norac B Share held. The issued and outstanding class A shares of NAI (the “NAI Shares”) were cancelled without any repayment of capital in respect of such shares as part of the ViRexx Amalgamation, and therefore Norac, as the sole shareholder of NAI, did not receive any ViRexx Shares. Holders of shares of ViRexx Research received 0.5285974 ViRexx Shares for each share of ViRexx Research held.

Norac was incorporated under the ABCA on September 22, 1986. Norac has been a reporting issuer in the Province of Alberta since October 2, 1986, pursuant to the issuance of a receipt for a final prospectus under the Securities Act (Alberta). The Norac A Shares began trading on the TSXV (formerly, the Canadian Venture Exchange and prior to that the Alberta Stock Exchange) in April 1987 under the symbol “NRC.A” which was subsequently changed to the symbol “NRC.T”. On June 23, 2003, trading of Norac’s securities was halted upon the announcement of the ViRexx Amalgamation. On August 18, 2003, Norac’s listing was moved to the NEX board of the TSX Venture Exchange (“TSXV”) as a result of its inactive status, and Norac’s symbol was changed to “NRC.H”. Norac has been a reporting issuer in the Province of British Columbia since November 26, 1999.

ViRexx Research was the corporation resulting from the amalgamation of Novolytic Corp. and ViRexx Research Inc. (“Original ViRexx”) under the ABCA on August 1st, 2002. On August 1st, 2002, immediately prior to the said amalgamation, the shareholders of Original ViRexx exchanged the 1,000,000 issued and outstanding class A common shares of Original ViRexx for 16,746,007 common shares of Novolytic Corp. and as a result Original ViRexx became a wholly owned subsidiary of Novolytic Corp. The share exchange ratio for the amalgamation of Original ViRexx and

Novolytic Corp. was established by agreement between their respective boards of directors in consultation with an independent investment banking firm.

Novolytic Corp. was incorporated under the laws of the State of Nevada, U.S.A. on October 30, 2000 and was continued into the Province of Alberta as a corporation subject to the ABCA on May 31st, 2002. On June 1, 2002, Novolytic Corp. was amalgamated under the laws of Alberta with Novolytic Inc. with the amalgamated corporation continuing under the name "Novolytic Corp." On June 1, 2002, immediately prior to the amalgamation of Novolytic Corp. and Novolytic Inc. the shareholders of Novolytic Inc. exchanged the 100 issued and outstanding shares of Novolytic Inc. for 100 class "A" common shares of Novolytic Corp. with Novolytic thereby becoming a wholly owned subsidiary of Novolytic Corp.

Novolytic Inc. was incorporated under the ABCA on April 8, 1999 under the name "A.C.T. Technologies Corp.", and on November 10, 1999 changed its name to Novolytic Inc.

The original ViRexx was incorporated as "ViRexx Corporation" under the ABCA on June 6, 2001, and on October 26, 2001 changed its name to "ViRexx Research Inc."

On December 10, 2004, ViRexx completed a plan of arrangement pursuant to Section 193 of the ABCA involving ViRexx and AltaRex Medical Corp. ("AltaRex"), whereby amongst other things, ViRexx acquired all of the outstanding common shares of AltaRex (the "AltaRex Arrangement"). For each common share of AltaRex owned, AltaRex shareholders received one half of one ViRexx Share. Sixty percent of the ViRexx Shares received by AltaRex shareholders are freely tradable and the remaining forty percent were subject to a hold period until June 10, 2005. Also pursuant to the arrangement, all outstanding AltaRex stock options and warrants were deemed transferred to ViRexx (free of any claims) in consideration of new stock options or warrants for ViRexx Shares on the basis of one stock option or warrant for a ViRexx Share for every two AltaRex stock options or warrants with the exercise price of the such new ViRexx stock options and warrants being the price of the prior AltaRex stock options or warrants multiplied by two.

AltaRex was incorporated pursuant to the provisions of the ABCA as "AltaRex Medical Corp." on December 8, 2003. Effective December 23, 2003, AltaRex amended its articles of incorporation to remove its private company restrictions and restrictions on share transfer.

On February 3, 2004, AltaRex completed a plan of arrangement pursuant to Section 193 of the ABCA involving AltaRex, AltaRex Corp., the holders of the securities of AltaRex Corp. and Nova Bancorp Investments Ltd. (the "Bancorp Arrangement") whereby, amongst other things, AltaRex acquired substantially all the assets of AltaRex Corp. with a legally effective date of December 31, 2003, and has since carried on the business substantially as carried on by AltaRex Corp. prior to the completion of the Bancorp Arrangement.

Prior to the AltaRex Arrangement, the AltaRex common shares were listed and posted for trading on the Toronto Stock Exchange ("TSX") under the symbol "ALT". AltaRex was delisted from the TSX on December 16, 2004 as a result of the AltaRex Arrangement and ceased to be a reporting issuer in Canadian jurisdictions. ViRexx has not made any capital acquisitions or divestitures other than as described above and all of the funds it has in Treasury will be used to further its research and development programs.

The principal capital expenditures for the last three fiscal years of ViRexx were as follows:

	2005	2004	2003
Laboratory Equipment	$ 5,783	$ 290,422	$ 87,994
Leasehold Improvements	2,125	36,303	—
Office Furniture & Equipment	44,310	32,269	1,892
Computer hardware	56,600	32,269	4,731
Computer software	23,173	12,101	—
	$ 131,991	$ 403,364	$ 94,617

B . Business

ViRexx is an Edmonton, Alberta based biotechnology company focused on the development of novel therapeutic product candidates for the treatment of certain cancers and chronic viral infections. Our most advanced programs include drug candidates for the treatment of ovarian cancer, chronic Hepatitis B & C and solid tumours. We have three technology platforms: the antibody-based immunotherapy ("AIT"), Chimigen' and the T-ACT' platforms. The AIT' and Chimigen™ platforms are designed to stimulate the immune system to recognize and remove certain cancers and chronic viruses.

AIT™ Platform Technology

The lead product candidate from the AIT™ platform is OvaRex®MAb, a therapy for late-stage ovarian cancer. OvaRex® MAb is currently the subject of two pivotal Phase III clinical trials in more than 60 sites in the United States. A wholly owned subsidiary of ViRexx (the "Subsidiary") has licensed to Unither Pharmaceuticals, Inc. ("Unither"), a subsidiary of United Therapeutics Corporation, exclusive rights for development and commercialization of OvaRex® MAb and four other monoclonal antibodies worldwide, with the exception of rights retained by the Subsidiary to most member nations of the European Union (EU) and certain other countries. Negotiations are underway to license the distribution and/or marketing rights for certain European and Middle East countries as well as the rights to manufacture and supply finished product for the European territories. Successful completion of these agreements will secure global manufacture and distribution for OvaRex® MAb, upon regulatory approval making the product available to an estimated $750 million global marketplace.

In December 2005, Unither announced the first of two Phase III OvaRex® MAb trials (IMPACT I) had reached its target enrolment of 177 patients. Enrolment in the second Phase III trial (IMPACT II) is progressing as expected, reaching 85% of its target as of December 31, 2005. The two identical Phase III randomized, double-blind placebo controlled trials are being conducted at more than 60 sites across the United States. The trials are designed to evaluate time to disease relapse in patients who have undergone successful surgery and frontline chemotherapy, comparing OvaRex® MAb to placebo. The study will conclude upon accumulating 118 relapses in each trial. Unither is also conducting a Phase II trial of OvaRex® MAb in combination with front line chemotherapy, and has enrolled 39 of a targeted 40 patients as of December 31, 2005.

Details on the agreement between ViRexx and Unither are as follows:

(a) Duration of the Agreement

The Agreement was made effective April 17, 2002. The royalty term is defined in relation to each product candidate in each country, the period of time equal to the longer of (i) ten (10) years from the date of the First Commercial Sale of such product candidate in such country, or (ii) if the manufacture, use, import, offering for sale, or sale of such product candidate in such country is covered by a valid patent claim, the term for which such valid patent claim remains in effect.

(b) Payment Terms

Milestone payments are payable by Unither to AltaRex upon achieving the following milestones: (i) completion of biologics license application ("BLA") filing and (ii) BLA approval by the FDA. Royalties are payable by Unither to AltaRex based on aggregate net sales of each product candidate sold in the Territory by Unither, its affiliates and sublicensees. The royalty to be paid increases with increasing annual net sales in a stepped manner to a maximum payable royalty.

(c) Termination Provisions

The agreement can be terminated due to a material breach by either party if such breach has not been cured within a 120 day period. Unither may terminate the agreement on a product by product basis, upon written notice to AltaRex and in consultation with AltaRex if (i) the safety of human subjects is at risk from such product candidate, (ii) the product candidate is not effective (iii) the product candidate cannot be affordably manufactured in compliance with Good Manufacturing Practices ("GMP"), (iv) if a third party is identified that has rights to intellectual property that would prevent commercialization of the product candidate, (v) the costs of developing the product candidate are prohibitive, (vi) the product candidate, through no fault of Unither does not achieve contemplated regulatory approval.

Upon termination, all rights and licenses to the Licensed Technology shall terminate and revert to AltaRex. Unither shall grant AltaRex a perpetual, royalty-free, irrevocable right to use (for any purpose) all data generated by Unither under the agreement.

In the event of the institution by or against either party of insolvency, receivership, bankruptcy proceedings, or any other proceedings for the settlement of a party's debts which are not dismissed within sixty (60) days, or upon a party's making an assignment for the benefit of creditors, or upon a party's dissolution or ceasing to do business, the other party may terminate the agreement upon written notice.

(d) Other Material Terms

In the event that a material claim does not issue for a product candidate in the Territory, AltaRex may be subject to decreased royalties until a material claim does issue.

(e) Unither represents and warrants that:

(i) it will use commercially reasonable efforts to develop, commercialize and market product candidates for one or more indications within the field;

(ii) it will conduct all studies and clinical trials in accordance with all applicable laws, good clinical practices and medical ethical rules;

(iii) it will adhere to all applicable laws and good manufacturing practices in manufacturing, storing, selling and exporting of product candidates;

(iv) it will not use any individual to perform any services as contemplated by the agreement who has been disbarred pursuant to the United States Food, Drug and Cosmetic Act;

(v) it will adhere to all applicable laws regarding any of Unither's obligations under the agreement;

(vi) it will provide AltaRex with quarterly written progress reports.

T-ACT™ Platform Technology

The T-ACT™ platform is designed to cut off the blood supply to tumors, leading to tumour tissue starvation and tumour death. The lead product candidate of the T-ACT™ platform is Occlusin™ 50 Injection, a treatment for solid liver tumours. The Occlusin™ 50 Injection safety trial is being conducted at the Toronto General Hospital under the direction of Dr. Morris Sherman. The trial is designed to examine the safety of Occlusin™ 50 Injection when used as an embolizing agent as part of transcatheter arterial chemoembolization ("TACE") procedures used for the treatment of liver cancer. Five patients had received treatment as of December 31, 2005 without any product-related serious adverse events. Interim data analysis demonstrated a decrease in tumour volume in four of the five patients treated with Occlusin™ 50 Injection. Total costs expended in 2005 for the T-ACT' Platform were $1,236,748. Partnering discussions have been initiated with more than a dozen companies interested in Occlusin™ 50 Injection. Specifically, ViRexx is evaluating potential partners interested in licensing the marketing and distribution rights to Occlusin™ 50 Injection for Asia, as the prevalence of liver cancer is higher in Asia than anywhere else in the world. Successful completion of an agreement with a partner for this territory will result in an accelerated clinical development program for Occlusin™ 50 Injection. The Corporation estimates the market for Occlusin™ 50 Injection in Asia at more than $300 million.

Chimigen™ Platform Technology

The lead product candidate from the Chimigen™ platform is HepaVaxx B, a therapeutic vaccine for the treatment of chronic hepatitis B infection. In early 2005, the Corporation entered into an agreement with a contract manufacturer, Protein Sciences Corporation ("PSC") of Meriden, Connecticut, for the production of HepaVaxx B Vaccine for a Phase I clinical trial. PSC successfully manufactured cGMP product in the fourth quarter of 2005 and discussions with Health Canada are underway for the purpose of beginning a Phase I safety trial in the second quarter of 2006. Our second Chimigen™ vaccine candidate, HepaVaxx C, will be a therapeutic vaccine for the treatment of chronic hepatitis C infection. Continued efforts in 2006 will be directed to select a Chimigen™ hepatitis C therapeutic vaccine candidate for clinical testing. Partnering discussions have also been initiated for HepaVaxx B. Specifically; ViRexx is targeting potential partners with a strong presence in Asia where almost three quarters of the world's chronic hepatitis B and hepatitis C sufferers exist. The Corporation estimates the market for HepaVaxx B in Asia at more than $2 billion.

We continue to produce multiple Hepatitis C Virus ("HCV") prophylactic and therapeutic vaccine candidates upon which further evaluation will be conducted.

We expect to incur substantial research and development expenditures in 2006. This trend is expected to continue into future years as Occlusin™ product candidate development continues and HepaVaxx B and HCV vaccine move into clinical trials.

Product Candidate Pipeline

A summary of the development stage for each of the drug candidates is as follows:

Business Strategy

Our business strategy is to develop and commercialize therapeutic product candidates originating from our AIT™, Chimigen™ and T-ACT™ platform technologies in a timely and effective manner. We intend to realize value by focusing on commercializing proprietary, patent-protected and patent-pending product candidates through pharmaceutical company partnerships and alliances. In order to build value for strategic partnering, we will aggressively pursue regulatory approval of product candidates by conducting additional research and directing pre-clinical and Phase I and II clinical trials.

We intend to license our patented technologies to pharmaceutical companies, which would be responsible for completing Phase III clinical trials and for undertaking regulatory approvals. We anticipate that such licenses would provide for payment of fees, a portion of which would be payable upon execution and the balance of which would be payable upon achievement of clinical development milestones, and for payment of royalties from sales. This strategy would serve to avoid the high costs of Phase III trials that we would otherwise undertake, and generate revenues sooner than if we conducted those trials. There can be no assurance that we will be able to enter into such licenses.

AIT™ Platform Technology

Technology Overview

Tumour associated antigens (TAA) are over expressed on cancer cells and can be secreted into the blood. We believe that TAA are ideal targets for antibodies that act as immunotherapeutic agents. These tumour specific antigens are self produced and are not typically recognized as foreign by the patient's immune system. In some cases when over-expressed, they actively inhibit immune responses. The Corporation's antibodies are developed to reprogram the immune system to recognize "tumour specific" antigens as "foreign", thereby triggering the immune system to respond to and attack the antigens and their associated cancers. The resulting robust response employs both the humoral (antibody based) and cellular (T-cell responsive) arms of the immune system.

Harnessing the Immune System

One of the historical challenges to the monoclonal antibody (MAb) field has been the natural shedding by tumours of associated antigens into the bloodstream. Once in circulation, these shed tumour antigens can interfere with monoclonal antibodies that are designed to directly bind target tumours. The antigens bind to and clear these antibodies from circulation, before they reach their destination (the tumour) to provide a direct pharmacological effect. In contrast, we engineer our monoclonal antibodies to take advantage of the binding and clearing process. The target for our antibodies is the antigen in circulation, rather than the tumour. Thus, our antibodies trigger the immune system to provide clinical benefit, rather than relying on the direct effect of the antibody on the tumour itself.

Our AIT™ MAbs bind to a single epitope on a circulating tumour antigen (self) in circulation, to generate immune responses to multiple epitopes ("multi-epitopic") of the target antigen present in circulation and on the tumour. Our research demonstrates that its antibodies facilitate and modify tumour antigen processing to trigger T cell immunity where, previously, immune recognition to tumour antigen and tumour cells was not present. These results do not provide enough evidence regarding efficacy or safety to support an application to the FDA. Additional tests will be conducted and it may be that subsequent results may not corroborate earlier results.

OvaRex® MAb

Product Candidate Overview

OvaRex® MAb is a murine monoclonal antibody developed by the Corporation that has a high degree of specificity to the tumour associated antigen (CA125), which is over-expressed in over 80% of women with stage III/IV ovarian cancer (Bast et al. 1983; Tuxen et al, 1995). We believe that OvaRex® MAb acts as an immunotherapeutic agent by inducing and/or amplifying the human body's immune response against ovarian cancer.

OvaRex® MAb

§ a fully foreign monoclonal antibody (MAb) that targets CA125 in circulation

§ induces broad immune responses against CA125 and patients own ovarian tumours

§ in final stages of clinical development - ongoing Phase II and Phase III trials

§ benign safety profile and good quality of life during treatment

§ has been granted Orphan Drug status in U.S. and Europe and Fast Track status in U.S.

OvaRex® MAb, is being targeted primarily for use in patients who have had a reduction in tumour burden through surgery and chemotherapy, and for those patients who have a residual amount of disease after the operation.

OvaRex® MAb has shown promise in treating ovarian cancer patients in both remission and recurrent stages of the disease. It is specifically designed for patients who have the CA125 marker in their blood. CA125 is the most thoroughly studied serum marker for ovarian cancer, occurring in 80% of late stage ovarian cancer patients.

Our data suggests that a correlation exists between the extent of the immunogenic response against CA125 and progression-free and/or survival time of patients. The antibodies generated in response to the administration of OvaRex® MAb are directed against multiple epitopes (distinct submolecular regions) of the CA125 molecule, indicating a highly effective immune response to the product candidate. OvaRex® MAb recognizes only a single

epitope on the cancer antigen and is capable of inducing a highly effective multi-epitopic response by the patient's immune system.

Over 500 ovarian cancer patients have participated in seven comprehensive OvaRex® MAb clinical trials across North America and Germany. Clinical results have demonstrated an increase in time to disease relapse, coupled with a benign safety profile. Results from five studies have been reported, including results from the Corporation's largest study in 345 ovarian cancer patients in the "Watchful Waiting" stage-the period of disease remission following first-line treatment of surgery and chemotherapy. These clinical results demonstrate a six-to-ten month prolongation in time to disease relapse for OvaRex® MAb-treated patients (versus placebo) in well-defined populations of 29%-48% of the 345 patients in the study. These well-defined populations also demonstrate a 19%-41% reduced risk of relapse for OvaRex® MAb treated patients (versus placebo). A decreased risk of relapse of 20%-25% is generally considered clinically significant by practicing physicians. A snapshot of the clinical development program for OvaRex® MAb is provided below:

United Therapeutics has initiated two identical Phase III pivotal trials to study the effect of OvaRex® MAb treatment in advanced ovarian cancer during the "watchful waiting" period. Currently there are no approved therapies for the treatment of ovarian cancer in the "watchful waiting" period. The trials are being conducted in the U.S. on Stage III/IV ovarian cancer patients who have successfully completed surgery and chemotherapy. Treatment will continue until disease relapse occurs. The studies are double-blind, placebo-controlled and will each enroll 177 patients randomized 2:1 for OvaRex® MAb versus placebo. In December 2005, Unither announced the first of two Phase III OvaRex® MAb trials (IMPACT I) had reached its target enrolment of 177 patients. Enrolment in the second Phase III trial (IMPACT II) is progressing as expected, reaching 85% of its target as of December 31, 2005.

The Orphan Drug Designation for OvaRex® MAb is for the treatment of ovarian cancer during the "watchful waiting period". This affords seven (7) years marketing exclusivity in the United States and ten (10) years marketing exclusivity in Europe. Although the incidence of ovarian cancer is relatively low in North America with 16,210 projected deaths in 2005 based on the American Cancer Society ("ACS") latest report and 40,000 new cases in Europe, based on GLOBOCAN 2002 statistics, there is no approved therapy for the treatment of ovarian cancer in the "watchful waiting" period. The Corporation has issued patents and patents pending protecting the AIT™ technology. Benchmark monoclonal antibody-based therapy reimbursements to treat other solid tumours suggest that the Corporation could receive a premium for its OvaRex® MAb in the treatment of ovarian cancer patients. However, there is no guarantee that the Corporation or its licensees including Unither will receive sufficient reimbursement to justify continued development of OvaRex® MAb.

Market Overview

Ovarian cancer is a malignant growth located in the ovaries in the female reproductive system. In the U.S., Canada, and Europe, ovarian cancer causes more deaths than any other cancer of the female reproductive tract, representing 4% of all cancers among women, and is the fifth most common cause of cancer fatality for women, according to statistics compiled by the ACS. Specifically, the ACS estimates that there will be 22,220 new cases and 16,210 deaths resulting from ovarian cancer in 2005. Approximately 3,000 new cases of ovarian cancer are reported in Canada each year.

Based on these figures, we estimate that the market for treating ovarian cancer is over $500 million per year in the U.S. Although detection of ovarian cancer at an early stage is now associated with an improved chance for successful treatment, survival figures have not changed significantly over the past 15 years. This is partially due to a lack of efficient diagnostic methods or markers for routine tests that could increase the number of patients diagnosed at the early stage of their disease. Consequently, in approximately three quarters of diagnosed patients, the tumour has already progressed to an advanced stage (Stage III/IV) (ASC 2003), making treatment difficult.

In estimating the market for treating ovarian cancer we have conducted the following analysis. We have started with a conservative figure of 63,000 new ovarian cancer cases per year in countries with top tier medical case systems. Of these patients, 40,000 are eligible to be treated with OvaRexâ, for the "watchful waiting" indication of which there is no approved therapy currently.

Monoclonal Antibody therapies now commercially available in the US range in price from $16,000/patient/year to $57,000/patient/year. OvaRexâ MAb is expected to be priced towards the middle of this range at about $20,000/patient/year. At this price the market for the 'watchful waiting' indication could be around $800,000,000 (USD)/year. A second indication is being explored for OvaRexâ MAb, namely frontline therapy. This would be used in conjunction with chemotherapy. This indication could open up the ovarian cancer market to the full 63,000 patients/year and therefore at about $20,000 price per patient, would translate to a market size of greater than $1 Billion on an annual basis.

OvaRex® MAb has been granted Orphan Drug status in the U.S. and Europe and Fast Track designation in the U.S. The timeline for regulatory submission of OvaRex® MAb will be determined by United Therapeutics for their licensed territories (as per the April 17, 2002 licensing agreement). The Orphan Drug Designation for OvaRex® MAb is for the treatment of ovarian cancer during the "watchful waiting period" (i.e. after treatment by chemotherapy and surgical removal of the tumour). This affords seven (7) years marketing exclusivity in the United States and ten (10) years marketing exclusivity in Europe. Further, ViRexx has issued patents and patents pending that will afford further protection from competitors in this segment of the cancer treatment market. Benchmark monoclonal antibody-based therapy reimbursements to treat other solid tumours suggest that ViRexx could receive a premium for its OvaRex® MAb in the treatment of ovarian cancer patients. However, there is no guarantee that ViRexx or its licensees,

including Unither, will receive sufficient reimbursement to justify continued development of OvaRex® MAb. Further, there is no guarantee that a competitor will not develop a therapeutic agent that will directly compete with OvaRex® MAb for the specified target market.

Treatment

Ovarian cancer typically exhibits vague symptoms, and is therefore called “The Disease That Whispers”. It is particularly difficult to detect given the location of the ovaries and is often not diagnosed until at a late stage in the disease, at which point, it has already spread to other parts of the body. Consequently, only approximately 25% of ovarian cancers are diagnosed in the early stages (Am Cancer Soc 2003). Noticeable symptoms commonly occur in more advanced stages of tumour growth when pressure from the tumour is exerted on the patient’s bladder and rectum, and as fluid begins to form in the abdomen.

Treatments and patient prognosis are highly dependent upon the type of ovarian cancer and the extent to which the disease has spread prior to diagnosis. More than 80% of Stage III/IV patients express the tumour associated antigen CA125 an antigen that is self produced and is highly associated with ovarian cancer (Bast et al. 1983; Tuxen et al. 1995). The therapeutic approach prescribed for these patients whose tumours have progressed to an advanced stage consists of surgery to remove all visible cancerous growth in combination with adjuvant chemotherapy. The procedure may also involve the removal of one or both ovaries and fallopian tubes (salpingo-oopharectomy), as well as the uterus (hysterectomy).

In recent years, new chemotherapeutic agents used either as single treatments or in combination with other therapeutic agents have demonstrated an increase in survival time. Despite their apparent positive effect on survival time these agents are associated with significant toxicity and side effects that reduce the patient’s quality of life. Currently, the most common chemotherapy for patients with newly diagnosed ovarian cancer is carboplatin (Paraplatin) or cisplatin (Platinol) with paclitaxel (Taxol). Carboplatin and cisplatin are “platinum agents” (chemicals that contain platinum). Given the rigors of repeated chemotherapeutic treatments, and taking into account the modest effect on prolonging survival time, patient quality of life has become a major issue. This is increasingly true as ovarian cancer affects a larger number of older and postmenopausal women.

Competition

To our knowledge, there are no products available for commercial sale or under development for the treatment of advanced ovarian cancer in the “watchful waiting” period.

Chimigen™ Platform Technology

Technology Overview

In a healthy individual, foreign antigens (such as proteins derived from a bacterium, virus and/or parasite) normally elicit an immune response. This immune response has two components:

Humoral (Antibody) Response: Antibodies produced by B-cells are secreted into the blood and/or lymph in response to an antigenic stimulus. The antibody then neutralizes the pathogen (virus, bacteria or parasite) by binding specifically to antigens on its surface, marking it for destruction by phagocytic cells and/or complement-mediated mechanisms.

Cellular Response: The cellular immune response leads to the selection and expansion of specific helper and killer T-cell clones capable of directly eliminating cells which carry the antigen.

In some individuals, the immune system does not respond normally to certain antigens or pathogens. When an antigen does not stimulate the production of a specific antibody and/or cellular response, the immune system is not able to ward off the resultant disease. As a result, the host will develop tolerance to the infectious agent and becomes a

chronic carrier of the disease.

Chimigen™ vaccines are chimeric molecules consisting of selected antigens fused to a murine Fc fragment. We are in the process of testing to demonstrate that our Chimigen™ technology directs both arms of the body's immune system to attack the infectious agent. We hope that the tests will show the Chimigen™ therapeutic vaccines will break tolerance to the infectious agent and stimulate the immune system to eliminate infected cells as well as the disease-causing agent located in the circulation.

Chimigen™ vaccines contain two domains, the "Target Binding Domain" and the "Immune Response Domain". The Target Binding Domain targets the Chimigen™ vaccine to specific receptors on antigen presenting cells and the Immune Response Domain contains selected antigens. These vaccines can be produced either as fusion proteins using recombinant methods. Our recombinant technology allows for efficient substitution of a desired antigen onto the Target Binding Domain backbone of the Chimigen™ vaccine. This enhances our ability to produce highly desirable and effective multivalent vaccines. Thus the Chimigen™ technology is a platform that lends itself to adaptation to a variety of antigens produced in a number of disease conditions including cancer.

HepaVaxx B

Product Candidate Overview

HepaVaxx B is a Chimigen™ therapeutic vaccine developed by us for the treatment of chronic hepatitis B viral infections.

HepaVaxx B is a recombinant chimeric molecule containing the elements of both a hepatitis B viral antigen and a murine antibody. The molecule is designed to target antigen presenting cells that play a dominant role in activating the body's immune system. Expression of HepaVaxx B in insect cells facilitates this targeting and immune system activation. Validation of the uptake, processing and activation of the cells responsible for modulating the immune response was conducted by us using specialized assay systems.

Market Overview

The market for ViRexx's HepaVaxx B is global.

Hepatitis B Virus Market Size

	Globally	US
People Chronically Infected	370 million	1.25 million
New Cases Per Year	Not Available	78,000

Source: Center for Disease Control Hepatitis B Fact Sheet (2003)
Source: World Health Organization 2000

Hepatitis B is one of the major diseases of mankind and is a serious global public health problem. The World Health Organization estimates that one out of every three people have been infected with the Hepatitis B Virus ("HBV") of whom approximately 350 million have developed a chronic HBV infection.

The virus is very common in Asia, (especially Southeast Asia), Africa, and the Middle East. There are more than 370 million chronically infected carriers worldwide representing 5% of the world's population. Approximately 1.25 million chronic carries of HBV live in the U.S. An estimated 10 to 30 million additional people world wide will become infected with the virus each year.

People with a chronic hepatitis infection are at risk for significant liver damage. Approximately 20-30% of chronically infected people (30-35% of chronically infected males) develop cirrhosis of the liver and/or liver carcinoma over a 20-30 year time period. There are approximately one million deaths each year attributed to chronic HBV infection.

Competition

At least 28 companies including several major international pharmaceutical companies (for example Bristol-Myers Squibb, and GlaxoSmithKline) are developing new and novel products for the treatment or prevention of chronic hepatitis B virus infection. The developmental strategies being employed by these biotech and pharmaceutical companies may be categorized as (a) nucleoside reverse transcriptase inhibitors of viral replication (e.g., Entecavir), (b) non-nucleoside reverse transcriptase inhibitors of viral replication (e.g. Robustaflavone), (c) monoclonal antibodies (HepX^{TM}-B), (d) vaccines (e.g., Hepatitis B DNA vaccine), and (e) other immunologic therapies (e.g., EHT899).

We believe that the majority of these approaches do not eradicate the reservoir of the HBV that remains inside the patient's cells and therefore have little or no potential to permanently cure the patient of hepatitis B virus infection. The approaches noted above will likely reduce the viral load in the patient's blood, but unfortunately for the majority of patients, once the therapy is stopped the hepatitis virus will begin to replicate again within the patient's cells that contain the viral "covalently closed circular" (ccc) DNA. In contrast, we believe that HepaVaxx B Vaccine will elicit both humoral and cellular immune responses in chronic hepatitis B patients and that a strong cellular immune response directed against hepatitis B antigens will have the potential to eradicate the patient's cells that harbour hepatitis B viral DNA.

Furthermore, experience has shown that during long term therapy with existing antiviral agents (e.g., lamivudine), the patients that had the best chance of eliminating the virus were the patients that had an immune response to the virus prior to starting the antiviral agent. We believe the predicted broad humoral and cellular immune responses induced by HepaVaxx B will increase the effectiveness of antiviral therapy when used in combination.

HepaVaxx C

Product Candidate Overview

HepaVaxx C is a Chimigen™ therapeutic vaccine being developed for the treatment of chronic hepatitis C viral infections. HepaVaxx C is a recombinant chimeric molecule containing the elements of both hepatitis C viral antigen and a murine antibody. The molecule is designed to target antigen presenting cells, especially dendritic cells that play a dominant role in the body's immune system. Plans are in place to carry out a pre-clinical evaluation of vaccine candidates using specialized assay systems.

Market Overview

The market for ViRexx's HepaVaxx C is global.

HCV Market Size

	Globally	US
People Chronically Infected	170 million	2.7 million
New Cases Per Year	3-4 million	25,000

Sources: World Health Organization Fact Sheet WHO/164 - October (2000)

Source: World Health Organization (2000)

The World Health Organization estimates that 170 million people are chronically infected with HCV (more than four times as many as infected with HIV) and conservatively 3 to 4 million people are newly infected each year. (Source: WHO Fact Sheet WHO/164 - October 2000.)

According to Hepatitis Central', chronic HCV is predicted to become a major burden on the health care system over the next 10 to 20 years, as patients who are currently asymptomatic will progress to end-stage liver disease and cancer.

Approximately 75% to 85% of individuals infected with HCV will develop a chronic infection, of whom approximately 15% to 20% will develop chronic liver disease progressing to cirrhosis. Between 1% and 5% of people with chronic infections will develop liver cancer over a period of 20 to 30 years.

An estimated 4 million people have been infected with HCV in the U.S., of whom 2.7 million are chronically infected. According to the U.S. Centre for Disease Control and Prevention ("CDC"), new infections in the U.S. have dropped from approximately 240,000 annually in the 1980s to less than 25,000 in 2001. This is largely due to the availability of a diagnostic antibody test, which was introduced in 1990 to screen and eliminate HCV-infected blood from the nation's blood supply. (Source: Centre for Disease Control Hepatitis C Fact Sheet (2003).)

Since 1990, all donated blood in the U.S. has been screened for the presence of the virus, thus eliminating almost all cases of transmission through transfusion. While this screening test has also been adopted by many other industrialized nations, the rest of the world is still at risk from transfusions as well as the other common routes of transmission (especially contaminated needles). In the absence of blood screening, many, if not most carriers, have no idea that they are infected, or that they should take precautions against infecting others.

While the incidence of infection in the U.S. has decreased since the 1980s, the rate of deaths attributable to HCV continues to increase as people infected decades ago begin to manifest the disease. According to the CDC, 8,000 to 10,000 people currently die each year from HCV-related liver disease. HCV continues to be the number one reason for liver transplants. The CDC has predicted that the death toll will triple by the year 2010 and exceed the number of U.S. deaths due to AIDS. In addition, HCV is now the most common blood-borne infection in the U.S.

According to Hepatitis Central™, chronic HCV is predicted to become a major burden on the health care system over the next 10 to 20 years as many patients who are currently asymptomatic will progress to end-stage liver disease and cancer. Predictions in the U.S. indicate that there will be a 60% increase in the incidence of cirrhosis, a 68% increase in hepatoma, a 279% increase in hepatic decompensation, a 528% increase in the need for transplantation, and a 223% increase in liver death rate.

At present there is neither a therapeutic or prophylactic vaccine commercially available to treat or prevent hepatitis C infections. Current therapy for hepatitis C infection uses interferon and ribavirin. However, this combination is expensive, has significant side effects and is only effective in approximately 40% - 50% of a select group of patients. The epidemic proportions of HCV infection, the limited efficacy and expensive nature of approved therapeutics, the high cost of liver transplants (about $250,000 each) and the huge burden on the healthcare system in Canada alone (about $600 million in 1998, just in medical and work-loss costs), all point to the need for prophylactic vaccines and new therapies to treat the disease. (Source: Health Canada News Release, September 18, 1998 and Fields Virology (2000) Volumes I and II (Fourth Edition).)

The specific target population that can be treated with HepaVaxx C will be defined through the clinical development process. HepaVaxx C is currently in the pre-clinical stage of development.

Competition

There are no currently available therapeutic or prophylactic vaccines commercially available. We believe the Chimigen™ technology can potentially be used to develop a therapeutic vaccine as well as a prophylactic vaccine.

We have determined that there are more than 14 companies, including several major international pharmaceutical companies (e.g. Roche, Schering-Plough, and Eli Lilly), developing innovative drugs for the treatment of hepatitis C. The development strategies can be categorized as (a) biological response modifiers (e.g., (interferon -2b), (b) antiviral nucleosides (e.g., Viramidine), (c) immune globulins (e.g., Civacir™ hepatitis C immune globulin), (d) monoclonal antibodies (e.g., XTL-002), (e) ribozymes (e.g., Heptazyme™), (f) antisense drugs (e.g. ISIS 14803), (g) small molecule protease inhibitors (e.g., LY570310 / EILM2061), and (h) other strategies (e.g., human recombinant lactoferrin).

Among these developmental strategies, the biological response modifiers "(BRMs") (e.g., interferon-alpha) have promise for treatment of hepatitis C infection. However, BRMs enhance, direct or restore the body's ability to fight disease and provide a non-specific boost to the patient's immune system which will then mount an attack on hepatitis C viruses. Although BRMs such as interferon-alpha impart a general immune boost that is effective in some patients, the side effect profile is very poor and many patients choose to discontinue therapy because they cannot tolerate the adverse effects.

We believe that the side effect profile associated with treatment of chronic hepatitis C patients with HepaVaxx C vaccine may be very mild. Furthermore, we believe that the HepaVaxx C vaccine will elicit both strong humoral and cellular immune responses in chronic hepatitis C patients that can eliminate the hepatitis C infection from the body.

Chiron Corporation

Chiron Corporation is developing prophylactic and therapeutic vaccines using recombinant HCV antigens and adjuvants.

Schering-Plough Corp.:

Schering-Plough Corp.'s ("Schering-Plough") Interferon product ("alpha-interferon"), PEG-INTRON, is currently the preferred treatment for HCV because it appears to be less toxic than Rebetol. Schering-Plough has developed a combination therapy with this product and ribavirin that was approved by European regulators in March 2001 and has been approved by the FDA.

F. Hoffman-La Roche Ltd.:

F. Hoffman-La Roche Ltd. ("Roche") is developing an experimental therapeutic for the treatment of HCV infections. In a head-to-head Phase III clinical trial conducted by researchers at the University of Carolina, it was found that patients treated with Roche's PEG interferon -2a or Pegasys, combined with preparation of the antiviral agent ribavirin, was effective in 56% of patients tested, relative to 45% of subjects taking Schering-Plough's Rebetol, the current industry standard.

In the Roche trial, researchers discovered that the most common side effects, depression and flu-like symptoms, were less frequently exhibited in the Pegasys and ribavirin group than in the group taking ribavirin alone. Depression occurred in 21% of those taking the combination therapy, compared with 30% in the ribavirin alone group, and 20% in the group taking Pegasys without ribavirin. (Source: Roche Press Release - May 22, 2001:http://www.natap.org/2002/Nov/111902-4.html.) However, the high cost (approximately U.S.$31,000 for a year's

supply) and the frequency of side effects with moderate efficacy make this therapy less than desirable. (Source: Fields Virology (2000) Volumes I and II (Fourth Edition))

T-ACT™ Platform Technology

Technology Overview

It is common knowledge that depriving a tumour of its blood supply has great potential in the fight against cancer and the treatment of benign tumours. Many large pharmaceutical companies conducting clinical studies have clearly established the concept that cutting off the blood supply to tumours causes them to regress and become dormant. Furthermore, cutting off the blood supply reduces the ability of cancers to invade tissues and to spread to other parts of the body.

Our T-ACT™ platform is a novel and proprietary targeted tumour starvation technology. The platform consists of two complementary product candidate groups, Occlusin™ and Tactin, and is based on site-specific platelet-mediated thrombosis of solid tumour vasculature. The T-ACT™ technology platform has the potential to produce a wide range of product candidates that stop the flow of blood to solid tumours, both malignant (cancer) and non-malignant (benign). Blockage of tumour tissue vasculature by targeted thrombosis starves the tumour of oxygen and essential nutrients, resulting in tumour regression and ultimately in tumour tissue death.

The T-ACT™ platform technology harnesses the body's natural abilities to produce a blood clot in response to immobilized von Willebrand Factor ("VWF"). VWF circulates in the blood stream in an inactive state. Once it becomes immobilized in response to blood vessel damage, VWF is then able to capture circulating platelets and stop the flow of blood from the injured vessel.

The Occlusin™ technology includes several types of particles coated with VWF or other platelet binding proteins. These particles, delivered through a microcatheter, are tailor-made for the indication for which they are being delivered. Particle size is selected such that upon initiation of platelet reactivity with the particles (i.e., platelet binding to the particles) progression of the particles beyond the capillary bed cannot occur. By varying the particle size, shape and composition, while maintaining a clot forming component (e.g. VWF), the Occlusin™ agents will rapidly and efficiently block arteries of various sizes and locations. Furthermore, Occlusin™ agents can be made of either materials that are biodegradable or materials that would remain permanently resident in the body.

We believe that the Occlusin™ product candidates are ideal for the treatment of uterine fibroids (benign tumour) and hepatocellular carcinoma (primary liver cancer).

Occlusin™ Product Candidates

Product Candidate Overview

Occlusin™ product candidates will be our lead product candidate for the treatment of uterine fibroids and liver cancer. Based on the T-ACT™ platform technology, the product candidates consist of solid biodegradable particles coated with a platelet-binding agent. These agents are delivered by catheter to the main vessels feeding the tumour.

Market Overview

The Occlusin™ product candidate market is a global market.

Uterine Fibroid Market Size

	Globally	US
Prevalence	30 - 40% of women 30-50 years of age	10.5 million
Target Market	20% of prevalence	2.1 million

Source: National Institutes of Health (NIH); Central Intellegence Agency Population Statistics; Society of Interventional Radiology.

Uterine fibroids, also called leiomyomas, are benign tumours that can grow on the inside or outside of the uterus, or within the uterine wall. Their size can vary from that of a pea to the size of a full-term pregnancy. While most women with fibroids are symptom-free, approximately 25% to 30% experience prolonged bleeding, which can lead to anaemia and/or pain in the pelvis, abdomen, back or during sexual intercourse. Fibroids can also prevent a woman from conceiving, or can induce a miscarriage or premature labour. As fibroids grow and expand, they exert pressure upon the bladder and lower intestine and can cause difficult or increased urination, constipation, and a feeling of fullness.

The Society of Interventional Radiology estimates the incidence of uterine fibroids of significant size at 20% to 40% of women 35 years of age and older and 20% (two million women) experience severe debilitating effects. Corresponding numbers of women relative population in the rest of the world are similarly afflicted. ViRexx will determine the target market for its Occlusion' Injection product candidates by continued market analysis and through the clinical trial process.

Hysterectomy (complete removal of the uterus) or myomectomy (partial removal of the uterine wall) has been the treatment of choice for women suffering from severe side effects of uterine fibroids. These invasive surgical procedures require long hospital stays and recovery time, post surgery. In contrast, the uterine fibroid embolization ("UFE") is a minimally invasive technique delivered as an outpatient procedure with minimal recovery time.

UFE involves delivering tiny embolic particles to the blood vessels feeding the fibroid. The particles are delivered by catheter and function to block the vasculature associated with this benign tumour. Once the blood supply is cut off, the fibroid shrinks resulting in symptom relief.

Recent study results presented at the Society of Interventional Radiology annual meeting (March 2003) confirm the superiority of UFE over hysterectomy. Women treated by UFE had reduced hospital stay (0.8 days versus 2.3 days) and less time away from work (10.7 days versus 32.5 days) in comparison to hysterectomy. In addition, the UFE group experienced significant reductions in blood loss and pain associated with the procedure.

Liver Cancer Market Size (primary + secondary to colorectal cancer)

	Globally	US
Prevalence	1,691,228	176,456
New Cases per year	1,137,738	97,836

Source: GLOBOCAN 2002

While primary liver cancer is not as prevalent in North America, in the less developed parts of the world such as Africa, Southeast Asia, and China, it is responsible for 50% of all cancer cases. This dramatic difference is believed to be due to the much higher prevalence of hepatitis B virus carriers in those regions, which predisposes to the development of hepatocellular carcinoma ("HCC").

According to GLOBOCAN 2002, the worldwide prevalence of primary liver cancer was estimated to be 626,162 cases and, of these, over 411,000 were located in China, 18,000 in North America and 38,000 in Europe. The number of patients who died worldwide from primary liver cancer in 2002 was estimated to be 600,000. ViRexx will determine the target market for its Occlusin Injection product candidate(s) by continued market analysis and through the clinical trial process.

In the U.S., the five-year survival rate for patients with all stages of liver cancer is 6%. The five year survival rate of American patients diagnosed with localized liver cancer is 14% and a mere 1% for patients with distant disease. There has been little improvement in the five-year survival rate for U.S. liver cancer patients since the mid 1970s when the overall survival rate was 4%. (Source: American Cancer Society, 2002 Statistics.)

A significant number of patients develop liver cancer secondary to other types of cancer. For example, 50% of patients with colorectal cancer develop liver metastases. GLOBOCAN 2002 estimates indicate that over 1 million cases of colorectal cancer occurred worldwide in the year 2002. Other types of cancer that progress to liver cancer through metastasis includes: breast, lung, pancreatic, stomach, large bowel, kidney, ovarian, and uterine cancer.

Competition

Embolotherapy, the blocking of blood vessels feeding a target tissue, has been practiced for more than 30 years. Several companies, in recent years, have focused on producing specific embolic agents for the treatment of various forms of solid tumours.

Biosphere Medical Inc.:

Biosphere Medical Inc.’s Embosphere™ microsphere technology is the perceived market leader in the area of embolotherapy. This company has developed several forms of its acrylic-based microspheres to treat both liver cancer and uterine fibroids. Embosphere™ Microspheres was recently approved by the FDA for the treatment of uterine fibroids.

Cook Incorporated:

Cook Incorporated markets polyvinyl alcohol (“PVA”) foam particles. This company markets several different sizes of the particles to block various sizes of blood vessels. Cook Incorporated also markets materials such as catheters required in UFE procedures. PVA particles are inert and serve only to physically interfere with the blood flow to the target tissue. In addition, the irregular shape of the PVA particles can result in clogging of the delivery catheter.

Boston Scientific Corporation:

Boston Scientific markets Contour SE™ Microspheres for the treatment of hypervascular tumors and uterine fibroids. The microspheres consist of polyvinyl alcohol and are available in various size ranges. PVA particles are inert and serve only to physically interfere with the flow of blood to the target tissue.

Tactin Technology

Technology Overview

Tactin agents are systemically delivered (injected intravenously) and include a series of cancer targeting components against markers such as TAAs found on the surface of a number of cancers and their metastases including liver, breast, lung, prostate and head and neck. The Tactin agents are capable of localizing platelets at a predetermined site by (a) binding to tumour cells that display unique TAAs and (b) by subsequently capturing a separately administered thrombus formation component ("TFC"). We believe that our TFC, VWF, is an exceptional platelet binding and activating protein, that when fixed to the tumour by the cancer targeting component induces a thrombus only within the confines of the tumour vasculature. Thus, the Tactin product candidates utilize a tumour localized platelet collection and activation process through binding of a targeting agent to a tumour associated antigen, which subsequently leads to thrombus formation and limits the blood supply to the target area, and does this without inducing a generalized or systemic pro-thrombotic state.

Tactin agents affect the vascular system supplying tumours. The tumour targets are directly accessible to arterially or intravenously administered agents permitting rapid localization of a large percentage of the injected dose. We expect this to result in rapid occlusion of the tumour vasculature. Each capillary in a tumour provides oxygen and nutrients to thousands of tumour cells, so that even limited damage to the tumour vasculature has the potential to produce extensive tumour cell death.

Various targeting agents can be used in combination with the common TFC to achieve an effective response in a broad range of tumour and hyperplastic tissue pathologies. As an example, a targeting agent that binds to Alpha Fetal Protein ("AFP") can be married to the same thrombus-inducing agent. This same thrombus-inducing agent can also be linked, in vivo, to other targeting agents that bind to other specific antigens (e.g., TAG-72, associated with colorectal cancer).

Market Overview

Please refer to the "Market Overview" section of the Occlusin™ Injection technology in this Form 20-F for an in depth discussion of the existing market.

Intangible Properties

We are a party to collaborative agreements with third parties relating to OvaRex® MAb and four other product candidates from the AIT™ platform. Please refer to "Risk Factors - The Corporation is dependent on the success of its strategic relationships with United Therapeutics and other third parties" for further details.

Proprietary Protection

We rely upon patent protection and trademarks to preserve its proprietary technology and its right to capitalize on the results of its research and development activities and, to the extent it may be necessary or advisable, to exclude others from appropriating its proprietary technology.

Confidentiality

Since some of our technology is not patented or licensed but protected by the law of trade secrets, our ability to maintain the confidentiality of our technology is crucial to our ultimate possible commercial success. In order to protect our confidential information, we have adopted the following procedures:

— all of our employees must sign and are bound by confidentiality agreements;

— no sensitive or confidential information is disclosed to any party unless appropriate confidential disclosure agreements are first signed; and

— all confidential material that is provided to a party is marked as confidential and is requested to be returned when the user no longer has a need to have the material, or when the term of any applicable confidential disclosure agreement governing the use of the material expires.

We are unaware of any violations of our confidentiality procedures, and to date we have never experienced a violation of our confidentiality procedures that has caused our company material harm. Nevertheless, we cannot assure you that our procedures to protect confidentiality are effective, that third parties will not gain access to our trade secrets or disclose our technology, or that we can meaningfully protect our rights to our trade secrets. We cannot prevent a person from violating the terms of any confidential disclosure agreement. Furthermore, by seeking patent protection in various countries, it is inevitable that important technical information will become available to our competitors, through publication of such patent applications. If we are unable to maintain the confidentiality of our technology in appropriate circumstances, this could have a material adverse impact on our business, financial condition, and results of operations.

Our Patents

Our success depends in part on our ability to obtain patents, operate without having third parties circumvent our rights, operate without infringing the proprietary rights of third parties, and maintain trade secret protection. As of the date of this annual report, we had 46 issued patents and 141 pending patent applications relating to our various technologies in the United States, Canada, the European Union, and other countries, of which we have been granted 6 patents in the United States. The expiry date for these 6 are: 5/13/2016, 1/17/2017, 6/15/2019, 11/12/2019, 8/18/2020 and 5/11/2021. The dates reflecting the expiration date of the longest-lived patent rights listed herein do not take into consideration the possibility that a failure to maintain these patents, a terminal disclaimer or other future actions may affect the actual expiration date of the patents. Pending applications may never mature into patents, which could affect the lifespan of certain licenses. Finally, future applications could result in the extension of the license term beyond the dates listed above.

The patent position of pharmaceutical and biotechnology companies is uncertain and involves complex legal and financial questions for which, in some cases, important legal principles are largely unresolved. Patent offices vary in their policies regarding the breadth of biopharmaceutical patent claims that they allow. In addition, the coverage claimed in a patent application can be significantly reduced during prosecution before a patent is issued. We may not be granted patents of meaningful scope based on the applications we have filed and those we intend to file. We cannot assure you that our pending patent applications will result in patents being granted, that we will develop additional proprietary product candidates that are patentable, that patents that have already been granted to us will provide us with any competitive advantage or will not be challenged or invalidated by any third parties, or that patents of others will not have an adverse effect on our ability to do business. In addition, the laws of certain foreign countries do not protect intellectual property rights to the same extent as do the laws of Canada or the United States. We cannot assure you that others will not independently develop similar products or processes, duplicate any of our potential products or processes, or design around the potential products or processes we may patent.

Our Patent Policy

We pursue a policy of obtaining patent protection both in the U.S. and in selected foreign countries for subject matter considered patentable and important to our business. Our patent portfolio currently includes patents with respect to our unique approaches to immunotherapy, compositions of matter, their immunological utilities, broad claims to therapeutic methods, specific claims for use of these compositions to treat various disease states, and the pharmaceutical formulation of these compositions. We have also sought patent protection with respect to embolotherapy, related compounds, methods and strategies for therapy, routes of administration and pharmaceutical formulations. In addition, a portion of our proprietary position is based upon the use of technology and potential products we have licensed from others, including the master cell bank licensed from Biomira Inc. for OvaRex® MAb. The license agreement generally requires ViRexx to pay royalties upon commercialization of potential products covered by the licensed technology. We currently have exclusive licenses from the University of Alberta to 2 patent applications

Third Party Patents

Our commercial success also depends significantly on our ability to operate without infringing the patents and other proprietary rights of third parties. From time to time, companies may possess rights to technologies in the same areas of research and development as ours, may have patents similar to ours, and may notify us that we may require licenses from them in order to avoid infringing their rights in that technology or in order to enable us to commercialize our own technology. Patent applications are, in many cases, maintained in secrecy until patents are issued. Our competitors or potential competitors may have filed applications for, or may have received patents and may obtain additional and proprietary rights to compounds or processes used by us or are competitive with ours. The publication of discoveries in the scientific or patent literature frequently occurs substantially later than the date on which the underlying discoveries were made and patent applications are filed. In the event of infringement or violation of another party's patent, we may be prevented from pursuing potential product development or commercialization. In addition, we may be required to obtain licenses under patents or other proprietary rights of third parties. We cannot assure you that any licenses required under such patents or proprietary rights will be available on terms acceptable to us. If we do not obtain such licenses, we could encounter delays in introducing one or more of our product candidates to the market, without infringing third party patents, or we could find that the development, manufacturing or sale of potential products requiring these licenses could be foreclosed.

Patent Litigation

Patent litigation is becoming widespread in the biopharmaceutical industry and we cannot predict how this will affect our efforts to form strategic alliances, conduct clinical testing, or manufacture and market any of our product candidates that we may successfully develop. We are unaware of any potential issues related to our possible infringement or violation of another party's patent. If challenged, however, our patents may not be held to be valid. We could also become involved in interference or impeachment proceedings in connection with one or more of our patents or patent applications to determine priority of invention. If we become involved in any litigation, interference, impeachment, or other administrative proceedings, we will likely incur substantial expenses and the efforts of our technical and management personnel will be significantly diverted. We have the obligation to protect and bear the cost of defending the patent rights of the patents we own. With respect to our licensed patents we have the right but not the obligation to bear the cost of defending patent rights from third parties. A decision to pursue a patent infringement action may be prohibitively expensive.

More specifically, we cannot assure you that we will have the financial or other resources necessary to enforce or defend a patent infringement or proprietary rights violation action. Moreover, if our potential products infringe the patents, trademarks, or proprietary rights of others, we could, in certain circumstances, become liable for substantial damages, which also could have a material adverse effect on our business, financial condition, and results of operations. Where there is any sharing of patent rights, either through co-ownership or different licensed "fields of use", one owner's actions could lead to the invalidity of the entire patent.

In relation to the License Agreement established between us and Biomira Inc. dated November 24th, 1995, we are responsible for the maintenance of existing patents and the prosecution of all patent applications related to the licensed technology. In addition, we are responsible for the payment of all fees and costs incurred related to the filing, prosecution and maintenance of the patent applications and patents included in the licensed technology.

In relation to the License Agreement established between us and the Governors of the University of Alberta ("U of A") for the rights to use Methods of Eliciting a Th1-specific Immune Response, the U of A is responsible for the maintenance of existing and prosecution of all patent applications related to the licensed technology. As of the effective date of the agreement, May 1, 2002, we are responsible for the payment of all fees and costs incurred by the U of A related to the filing, prosecution and maintenance of the patent applications and patents included in the licensed technology. These obligations are not considered material.

Economic Dependence and Foreign Operations

We are dependent on the success of our strategic relationships with United Therapeutics and other third parties. We are dependent upon foreign operations of United Therapeutics and other third parties. We, through the license agreement with United Therapeutics, are reliant on strategic relationships with third parties to the storage of the master cell banks for the OvaRexâ, BrevaRexâ, ProstaRexâ and GiveRexâ product candidates. The master cell banks are stored under contract to McKesson Bioservices in Rockville, MD. For further details, please refer to the following "Risk Factors": "WE RELY ON OUR STRATEGIC RELATIONSHIP WITH UNITED THERAPEUTICS" and "WE ARE IN THE EARLY STAGES OF PRODUCT CANDIDATE DEVELOPMENT. OUR PRODUCT CANDIDATES MAY NOT BE EFFECTIVE AT A LEVEL SUFFICIENT TO SUPPORT A PROFITABLE BUSINESS VENTURE. IF THEY ARE NOT, WE WILL BE UNABLE TO CREATE MARKETABLE PRODUCT CANDIDATES AND WE WILL HAVE TO CEASE OPERATIONS".

C . Organizational structure

Control of ViRexx

We have one subsidiary named AltaRex Medical Corp. AltaRex is wholly owned by us and was incorporated under the laws of the Province of Alberta, Canada.

We carry on our OvaRex® MAb business directly through AltaRex.

D . Property and equipment

We lease our head office space in Edmonton, Alberta. The terms of the premises leased are as follows:

Annual base rent:	$ 109,263.00
Term expires:	May 31, 2011
Square footage:	13,244

No individual lease is deemed to be material. We believe that the physical facilities we lease are adequate to conduct our business during the next 12 months.

We have headquarters and laboratory space in Edmonton, Alberta. Our facilities include a 3-year-old office and laboratory space, which we consider to be world class and to represent a significant value to us. The facility includes offices, wet laboratories, and associated equipment. We also have access to the University of Alberta virus containment laboratory and animal research facility. Preferential privileges are accorded to us such as access to facilities and contact with key individuals, as a result of the present and past association of the senior corporate officers with the University of Alberta and the present contractual arrangements of technology transfer between the University of Alberta and us.

Property and equipment are described at cost less accumulated amortization in the financial statements. Amortization is provided for by using the declining balance method at the following annual rates:

Laboratory equipment	20%
Office, furniture and equipment	20%
Computer equipment	30%
Computer software	100%

Leasehold improvements are amortized over the term of the lease.

Item 5. Operating and Financial Review and Prospects

Management's Discussion and Analysis

The following discussion and analysis of our results of operations and liquidity and capital resources should be read in conjunction with our financial data and the financial statements and the related notes thereto included elsewhere herein. Unless otherwise specified, all references in this annual report statement as a "fiscal year" or "year" of ViRexx refer to a twelve month financial period ended December 31.

We have prepared our Consolidated Financial Statements in accordance with GAAP. Canadian GAAP differs in certain material respects from U.S. GAAP. For a discussion of the principal differences between Canadian GAAP and U.S. GAAP as they pertain to us, see Note 15 to our audited Consolidated Financial Statements included elsewhere in this Form 20-F. Note 15 to our Consolidated Financial Statements also provides a reconciliation of our Consolidated Financial Statements to United States Generally Accepted Accounting Principles.

Critical Accounting Estimates

The preparation of financial statements in conformity with Canadian and U.S. GAAP requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. These estimates are based on assumptions and judgments that may be affected by commercial, economic and other factors. Actual results could differ from those estimates.

An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the financial statements. We believe that the assumptions, judgments and estimates involved in our accounting for acquired intellectual property rights could potentially have a material impact on the Corporation's consolidated financial statements. The following description of critical accounting policies, judgments and estimates should be read in conjunction with our December 31, 2005 consolidated financial statements.

Acquired Intellectual Property

At December 31, 2005, the acquired intellectual property rights had a net book value of $30.0 million related to the intellectual property acquired in the acquisition of AltaRex in December 2004. The intellectual property consists of an Exclusive Agreement with Unither Pharmaceuticals Inc. ("Unither"), a wholly owned subsidiary of United Therapeutics, for the development of five monoclonal antibodies, including OvaRex® MAb, ViRexx's lead product candidate in late stage development for the treatment of ovarian cancer.

The intellectual property was recorded as an asset as required under Canadian GAAP, and is being amortized on a straight-line basis over the patent's estimated useful life of thirteen years. Adopted are the provisions of CICA 3063 "Impairment of Long-Lived Assets" and test the recoverability of long-lived assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recorded in the period when it is determined that the carrying amount of the assets may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the assets exceeds the discounted cash flows from the asset. Changes in any of these management assumptions could have a material impact on the impairment of the assets.

Under U.S. GAAP, management has determined that the intellectual property is in-process research and development ("IPRD"), a concept which is not applicable under Canadian GAAP. IPRD is not capitalized under U.S. GAAP, but rather expensed at the time of acquisition. Consequently, the entire cost of the IPRD of $30.0 million associated with the AltaRex acquisition is reflected as a reconciling item in the December 31, 2005 consolidated financial statements, footnote 15, United States Accounting Principles, which reconciles Canadian GAAP to U.S. GAAP.

A . ***Operating results***

Financial Highlights

2005 was a landmark year for us with the Corporation accomplishing all of its major research and operational objectives. The result of this focused effort has been the wholesale advancement of the Corporation's development pipeline.

We recorded a net loss for the year ended December 31, 2005 of $7,459,714 or ($0.13) per share, as compared with a net loss of $3,657,760 or ($0.14) per share for the corresponding period ended December 31, 2004. The expenditure increase is primarily attributable to an increase in preclinical, potential product development and clinical trial activity.

We recorded a net loss for the year ended December 31, 2004 of $3,657,760 or ($0.14) per share, as compared to a net loss of $1,383,562 or ($0.15) per share for the year ended December 31, 2003. The expenditure increase is due to increased preclinical activities, costs incurred to support clinical trials and additional costs and resources associated with operating as a public company.

Expenses

Research and Development

We are a development stage company that allocates the majority of its resources to product development, including clinical trial activities. The majority of costs are associated with our three technology platforms. Our strategy is to capitalize on pre-clinical and clinical opportunities through licensing and collaborative arrangements with third parties. Therefore, we have allocated cash and other resources to activities that have the potential of generating product commercialization opportunities.

Research and development expenses for the year ended December 31, 2005, totalled $4,750,190, an increase of $2,953,510 from $1,796,680 in research and development expenses incurred for the corresponding period ended December 31, 2004. This difference was mainly due to the manufacturing of clinical material for the HepaVaxx B clinical program. Also, in order to support the progression of each of the Corporation's product candidates, additional research and development staff were hired during 2005. Additional intellectual property expenses were also incurred in 2005 further strengthening protection of the Corporation's product candidates subsequent to commercialization.

Research and development expenses for the year ended December 31, 2004, totalled $1,796,680, an increase of $1,413,607 from the $383,073 incurred for the year ended December 31, 2003. This increase is attributable to the completion of the Occlusin™ 50 Injection pre-clinical activities and initiating a Phase I clinical trial. Additional costs were also incurred for third party consultants in order to accelerate the HepaVaxx B pre-clinical activities.

We anticipate that research and development expenditures will increase in 2006 in order to support activities related to initiation of the planned HepaVaxx B Phase I clinical trial. Further, we anticipate increased expenditures in 2006 related to the development of the Occlusin™ 500 device including costs associated with pre-clinical testing and GMP manufacturing. Over the next year, we will also be focusing its efforts on initiating manufacturing activities in Europe for OvaRex® MAb.

Government Assistance

To support ongoing research programmes the Corporation applies for external funding opportunities from Industrial Research Assistance Program (“IRAP”) and other agencies. Grants awarded are merit-based and only a small percentage of applications are approved and receive assistance.

Government assistance awarded for the year ended December 31, 2005, 2004 and 2003 was $45,000, $864,430 and $154,780, respectively. Government assistance related to IRAP grants from the National Research Council of Canada (“NRC”). In addition to the IRAP grants ViRexx received a technology commercialization award from Alberta Heritage Foundation for Medical Research (“AHFMR") in 2004. Details on the amount of government assistance received in each year are displayed in the below table:

	Year Ended December 31,		
	2005	**2004**	**2003**
	$	$	**$**
IRAP	45,000	364,430	154,780
AHFMR	—	500,000	—
	45,000	864,430	154,780

Prior to commercialization, ViRexx expects to continue to incur substantial research and development expenditures. The following table outlines projected expenditures for each product candidate for the fiscal year 2006. These projected expenditures are an estimate only based on current plans but may change as research and development proceeds.

	Projected Expenditures				
	Quarter 1 2006	**Quarter 2[(1)] 2006**	**Quarter 3[(1)] 2006**	**Quarter 4[(2)] - 2006**	**2006 Total**
Chimigen™	1,076,211	1,017,515	1,178,421	1,591,395	4,863,542
T-ACT™	770,509	796,823	446,125	546,550	2,560,007
AIT™	205,100	234,218	228,353	1,250,983	1,918,654
Total Projected Research & Development Expenditures	2,051,820	2,048,556	1,852,899	3,388,928	9,342,203

Notes:

(1) Proposed Milestones for 2006

Q2/Q3 2006

– Commence HepaVaxx B Phase I Clinical Trial

– Complete Occlusin™ 50 Injection Phase I liver cancer clinical trial

– Select HepaVaxx C clinical candidate

(2) Proposed Milestones for 2006

Q4 2006

– Commence HepaVaxx B Phase I Clinical Trial

– Complete Occlusin™ 50 Injection Phase I liver cancer clinical trial

– Select HepaVaxx C clinical candidate

A further description of our three major research and development projects are as follows:

Our most advanced programs include drug candidates for the treatment of ovarian cancer, chronic Hepatitis B & C and solid tumours. We have three technology platforms: the antibody-based immunotherapy ("AIT"), Chimigen™ , and the T-ACT™ 'platforms. The AIT™ and Chimigen' platforms are designed to stimulate the immune system to recognize and remove certain cancers and chronic viruses. These three technology platforms are referred to above.

AIT™ Platform Technology

The lead product candidate from the AIT™ platform is OvaRex® MAb, a therapy for late-stage ovarian cancer. OvaRex® MAb is currently the subject of two pivotal Phase III clinical trials in more than 60 sites in the United States. A wholly owned subsidiary of ViRexx (the "Subsidiary") has licensed to Unither Pharmaceuticals, Inc. ("Unither"), a subsidiary of United Therapeutics Corporation, exclusive rights for development and commercialization of OvaRex® MAb and four other monoclonal antibodies worldwide, with the exception of rights retained by the Subsidiary to most member nations of the European Union (EU) and certain other countries. Negotiations are underway to license the distribution and/or marketing rights for certain European and Middle East countries as well as the rights to manufacture and supply finished product for all of Europe. Successful completion of these agreements will secure global manufacture and distribution for OvaRex® MAb, upon regulatory approval making the product candidate available to an estimated $750 million global marketplace.

In December, 2005 Unither announced that the first of two Phase III OvaRex® MAb trials (IMPACT I) had reached its target enrolment of 177 patients. Enrolment in the second Phase III trial (IMPACT II) is progressing as expected, reaching 85% of its target as of December 31, 2005. The two identical Phase III double-blind placebo controlled trials which commenced in January 2003 are being conducted at more than 60 sites across the United States. The trials are designed to evaluate time to disease relapse in patients who have undergone debulking and frontline chemotherapy, comparing OvaRex® MAb to placebo. The study will conclude upon accumulating 118 relapses in each trial. Unither is also conducting a Phase II trial of OvaRex® MAb in combination with front line chemotherapy, and has enrolled 39 of a targeted 40 patients as of December 31, 2005. Total costs expended by us in 2005 for the AIT™ Platform were $396,334.

T-ACT™ Platform Technology

The T-ACT™ platform is designed to cut off the blood supply to tumors, leading to tumour tissue starvation and tumour death. The lead product candidate of the T-ACT™ platform is Occlusin™ 50 Injection, a treatment for solid liver tumours. The Occlusin™ 50 Injection safety trial is being conducted at the Toronto General Hospital under the direction of Dr. Morris Sherman. The trial is designed to examine the safety of Occlusin™ 50 Injection when used as an embolizing agent as part of transcatheter arterial chemoembolization ("TACE") procedures for the treatment of cancer of the liver. Five patients had received treatment as of December 31, 2005 without any product-related serious adverse events reported. Interim data analysis demonstrated a decrease in tumour volume in four of the five patients treated with Occlusin™ 50 Injection. Total costs expended in 2005 for the T-ACT™ 'Platform were $1,236,748. Partnering discussions have been initiated with more than a dozen companies interested in Occlusin™ 50 Injection. Specifically, ViRexx is evaluating potential partners interested in licensing the manufacturing and distribution rights to Occlusin™ 50 Injection for Asia, the territory representing the greatest potential for such a product. Successful completion of an agreement with a partner for this territory will result in an accelerated clinical development program for Occlusin™ 50 Injection, as the prevalence of liver cancer is higher in Asia than anywhere else in the world. The Corporation estimates the market for Occlusin™ 50 Injection in Asia at more than $300 million.

Chimigen™ Platform Technology

The lead product candidate from the Chimigen™ platform is HepaVaxx B, a therapeutic vaccine for the treatment of chronic hepatitis B infection. In early 2005, the Corporation entered into an agreement with a contract manufacturer, Protein Sciences Corporation ("PSC") of Meriden, Connecticut, for the production of HepaVaxx B Vaccine for a Phase I clinical trial. PSC successfully manufactured cGMP product in the fourth quarter of 2005 and discussions with Health Canada are underway for the purpose of beginning a Phase I safety trial in the second quarter of 2006. Our second Chimigen™ vaccine candidate, HepaVaxx C, is a therapy for the treatment of chronic hepatitis C. Continued efforts in 2006 will be directed to select a Chimigen™ hepatitis C vaccine candidate for clinical testing. Partnering discussions have also been initiated for HepaVaxx B. Specifically; ViRexx is targeting potential clinical co-developers with a strong presence in Asia where almost three quarters of the world's chronic hepatitis B and hepatitis C sufferers exist. The Corporation estimates the market for HepaVaxx B in Asia at more than $2 billion.

Project Risks

Due to the inherent uncertainties involved in the drug development, regulatory review and approval processes, the anticipated completion dates, the cost of completing the research and development and the period in which material net cash inflows from these projects are expected to commence are not known or estimable. There are many risks and uncertainties associated with completing the development of the unapproved product candidates discussed above, including the following:

- Products may fail in clinical studies;
- Hospitals, physicians and patients may not be willing to participate in clinical studies;
- Hospitals, physicians and patients may not properly adhere to clinical study procedures;
- The drugs may not be safe and effective or may not be perceived as safe and effective;
- Other approved or investigational therapies may be viewed as safer, more effective or more convenient;
- Patients may experience severe side effects during treatment;
- Patients may die during the clinical study because their disease is too advanced or because they experience medical problems that are not related to the drug being studied;
- Patients may not enrol in the studies at the rate we expect;
- The FDA, HPB and foreign regulatory authorities may delay or withhold approvals to commence clinical trials or to manufacture drugs;
- The FDA, HPB and foreign regulatory authorities may request that additional studies be performed;

- Higher than anticipated costs may be incurred due to the high cost of contractors for drug manufacture, research and clinical trials;
- Drug supplies may not be sufficient to treat the patients in the studies; and
- The results of preclinical testing may cause delays in clinical trials.

If these projects are not completed in a timely manner, regulatory approvals would be delayed and our operations, liquidity and financial position could suffer. Without regulatory approvals, we could not commercialize and sell these product candidates and, therefore, potential revenues and profits from these product candidates would be delayed or impossible to achieve.

Supplemental Information

Selected Annual Information		**2005**		**2004**
Statement of Operations				
Total expenses	**$**	**10,899,646**	$	3,755,739
Other (expense) income	**$**	**81,506**	$	97,979
Net loss before income taxes	**$**	**(10,818,140)**	$	(3,657,760)
Basic and diluted loss per common share	**$**	**(0.13)**	$	(0.14)
Weighted-average number of common shares outstanding		**55,827,119**		25,268,388
Balance Sheet				
Working capital	**$**	**5,107,948**	$	8,836,650
Total assets	**$**	**36,286,345**	$	45,722,445
Total long-term liabilities	**$**	**1,168,377**	$	6,749,947
Shareholders' equity	**$**	**34,447,802**	$	37,190,587
Common shares outstanding		**58,443,445**		53,276,477

Summary of Quarterly Results

2005	**Q1**	**Q2**	**Q3**	**Q4**	**Annual**
Government assistance	~~$~~	45,000	—	~~$~~	**45,000**
Net Earnings (Loss)	$ (1,702,833)	$ (2,008,677)	$ (2,005,191)	$ (3,543,013)	**$ (7,459,714)**
Basic and diluted earnings (loss) per share	$ (0.03)	$ (0.04)	$ (0.04)	$ (0.02)	**$ (0.13)**

2004	**Q1**	**Q2**	**Q3**	**Q4**	**Annual**
Government assistance	$ 261,525	$ 193,936	$ 88,969	$ 320,000	**$ 864,430**
Net Earnings (Loss)	$ (489,405)	$ (853,798)	$ (962,987)	$ (1,351,570)	**$ (3,657,760)**
Basic and diluted earnings (loss) per share	$ (0.03)	$ (0.03)	$ (0.04)	$ (0.04)	**$ (0.14)**

Our quarterly results have fluctuated primarily as a result of the level of operational activities and the availability of resources to fund operational activities.

The quarterly results have varied primarily as a result of availability of resources to fund operations and the timing of significant expenses incurred in the development of the Company's product candidates (manufacturing, clinical trials).

Outstanding Share Data	**2005**	**2004**
Common shares issued and outstanding	58,443,445	53,276,477
Stock options outstanding	6,970,200	6,369,168
Warrants outstanding	2,819,299	12,543,095

Stock options and warrants exercised are converted into an equal number of common shares. If fully exercised the stock options and warrants could generate proceeds of $8,761,184.

Corporate Administration & Marketing

Corporate administration expenses for the year ended December 31, 2005, totalled $3,650,282, an increase of $1,762,571 from $1,887,711 in general and administration expenses recorded for the corresponding period ended December 31, 2004. The difference is attributable to stock-based compensation recorded for options granted and consulting costs associated with investor relations and corporate communication activities. Additional costs were also incurred due to an increase in the number of administrative staff required and costs related to the acquisition of AltaRex Medical Corp.

Corporate administration expenses for the year ended December 31, 2004 totalled $1,887,711, an increase of $995,675 from the $892,036 recorded for the year ended December 31, 2003. The difference is due to expenditures incurred in maintaining existing and new patent and trademarks, TSX listing fees as well as an increase of insurance costs due to elevated premiums and expansion of director and officer liability coverage.

For 2006, a decrease in corporate administration expenses is anticipated by employing a more focused approach towards investor relations and not incurring one-time costs related to the acquisition of AltaRex Medical Corp.

Stock-based Compensation

Effective January 1, 2004, we became subject to the additional requirements of the CICA relating to stock-based compensation. The new standard requires that all stock option awards be valued on the date of grant using the fair value method and be expensed directly to the income statement. In accordance with the transition rules, we recorded an adjustment to the opening 2004 deficit in the amount of $734,773.

Stock-based compensation expense for the year ended December 31, 2005 totalled $457,349, which reflects the vested portion of the 940,000 options granted during 2005 and of options granted prior to 2005.

Depreciation and Amortization

Amortization expense relates to laboratory equipment, facility leaseholds and equipment and intellectual property. Amortization expense for the years ended December 31, 2005, 2004 and 2003 was $2,499,174, $71,348 and $31,596 respectively. The increase in amortization expense in 2005 is mainly due to the intellectual property acquired in December 2004 being amortized and charged to operations. Also, additional computer equipment and hardware were purchased over the course of 2005.

We anticipate that amortization expense to remain constant in 2005 as most capital intensive activities have been outsourced to contract manufacturing organizations.

Intellectual Property

Patent and trademark expenses for the twelve months ended December 31, 2004 totalled $271,384, an increase of $196,560 from the $74,824 recorded for the year ended December 31, 2003.

Patent and trademark expenses for the twelve months ended December 31, 2005 totalled $445,545, an increase of $174,161 from the $271,384 recorded for the year ended December 31, 2004.

We will continue to incur significant patent costs during the twelve months of 2006 and in future years to protect our technologies. We anticipate third party intellectual property costs of approximately $500,000 in 2006. All 2006 patent costs will be funded from working capital.

Capital Expenditures

Capital expenditures on property and equipment were $403,364 for the twelve months ended December 31, 2004 compared to $94,617 for the year ended December 31, 2003.

Capital expenditures on property and equipment were $131,991 for the twelve months ended December 31, 2005 compared to $403,364 for the twelve months ended December 31, 2004.

Currently we have no significant commitments for property and equipment expenditures and estimate that all capital expenditures will be funded from working capital and/or capital leases.

B. Liquidity and capital resources

We currently have no contributing cash flows from operations. As a result, we rely on external sources of financing, such as the issue of equity or debt securities, the exercise of options or warrants, and investment income. No revenues from operations are expected until certain milestone and royalty payments from license and collaboration agreements have been earned or commercialization of a product candidate has occurred.

At December 31, 2005, the Corporation’s cash and cash equivalents totalled $5,571,850 as compared with $9,462,988 at December 31, 2004. Our net cash used in operating activities amounted to $7,551,102 for the year ended December 31, 2005 and reflects the Corporation’s use of cash to fund its net operating losses and the net changes in non-cash working capital balances. During 2005, we raised $3.8 million from a brokered private placement net of share issuance costs and an additional $2.2 million from the exercise of warrants and stock options. Also during 2005, we incurred $2.3 million of share repurchase costs.

At December 31, 2004, the cash and cash equivalents totalled $9,462,988 as compared to $2,708,599 at December 31, 2003. The net cash used in operating activities totalled $3,266,213 for the year ended December 31, 2004 as compared to $575,252 for the year ended December 31, 2003 and reflects the use of cash to fund net operating losses and the net changes in non-cash working capital balances.

Subsequent to December 31, 2005 we completed a brokered private placement on February 16, 2006 of 10,909,090 units for gross proceeds of $12,000,000. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share of ViRexx at a price of Cdn $1.50 for a period of 2 years. The broker for the private placement received cash of 7% of the gross proceeds and 1,090,909

broker warrants as a commission. Each broker warrant entitles the broker to acquire one common share of the Corporation for $1.50 per share for a period of 2 years from the date of issuance.

We have employed cost savings alternatives as much as possible in order to manage its cash reserve and operating expenditures. Planned activities have been focused on advancing ViRexx's lead product candidates while transforming its pipeline from the pre-clinical stage to a broader pipeline of clinical product candidates. Additional capital resources may be required depending on the progress of research and development programs along with the outcome of clinical trials and pre-clinical studies results. Such capital resources could be derived through equity, debt financings, achievement of milestone payments or collaborative arrangements with corporate partners of from other sources. Our ability to generate additional capital is subject to uncontrollable factors as outlined in the "Risks and Uncertainties" section of this document. If the Corporation has insufficient capital its technology platforms or components of them may have to be delayed, reduced or eliminated..

Convertible Debentures

On August 15, 2002, United Therapeutics was issued a note payable (the "United Note Payable") in exchange for proceeds of US$433,310 and the note was secured by the intellectual property of the AIT™ Platform. Interest was paid on the United Note Payable quarterly at 6% per annum. On August 23, 2005 the United Note Payable principal balance was converted into 485,300 common shares of the Corporation at a price of Cdn $1.07 per share.

On September 20, 2002, the Corporation issued three convertible debentures ("Convertible Debenture") totaling $685,000 bearing interest at 12% per annum, accrued monthly, payable September 20, 2005. The debentures were secured by a specific charge against the T-ACT™ Technology patents. The debentures were convertible, at the option of the holder, into common shares of the Corporation at any time prior to September 20, 2005. In 2003, $235,000 of these debentures were converted to common shares. During 2005, the Corporation redeemed $400,000 of principal plus accrued interest of $181,745 and converted $50,000 plus accrued interest of $22,010 into 75,800 common shares of the Corporation at a price of $0.95 per share.

Outlook

We are a research and development company, with a primary focus being the development and commercialization of its product candidates. We expect expects to continue to incur operating losses in 2006 and until the first commercialized products are introduced in the next 24 months. Net research and development costs are expected to continue to increase in 2006 from those incurred in 2005 as we advance the development of Occlusin™ Injection, HepaVaxx B and HepaVaxx C therapeutic vaccines.

As of March 31, 2006, we had $14,429,807 in cash equivalents and short-term investments as compared to $5,571,850 at December 31, 2005.

Over the longer term, we expect that we will require additional financing and as such plans to raise funds from time to time through either the capital markets or strategic partnering initiatives. Funding requirements may vary depending on a number of factors, including the progress and results of the pre-clinical studies and human clinical trials, regulatory approvals, and competing technological and market developments. Depending on the results of the research and development programs and availability of financial resources, we may accelerate, terminate, cut back on certain areas of research and development, or commence new areas of research and development.

C. Research and development, patents and licenses, etc.

Research and Development

The research and development costs of us are expensed as they are incurred. Under Canadian generally accepted accounting principles, development costs should be capitalized if certain criteria are met. Companies with products in clinical trials do not necessarily meet these criteria. Our development costs do not meet the following two criteria: (i) the technical feasibility of the product candidate or process has been established; and (ii) the future market for the product candidate or process is clearly defined. With regard to (i), our strategic partner, United Therapeutics, continues enrolment of a Phase III clinical study for OvaRex® MAb and we continue enrolment of a Phase I clinical study for Occlusin™ Injection. Until the appropriate clinical studies have been completed, the technical feasibility of these product candidates will not be known. With regard to (ii), the future market for the product candidates will not be clearly defined until the completion of the clinical studies. Clinical studies not only determine the technical feasibility of the product candidate, but also provide information regarding the proper use of the product candidate and, therefore, the future market. Once the feasibility is determined a New Drug Application or Biologics License Application, or equivalent, is made to the appropriate regulatory body. Regulatory approval is required before the product candidate can be marketed. For these reasons, our development costs are expensed and not capitalized.

Patents

In general, we pursue a policy of obtaining patent protection both in the U.S. and in selected foreign countries for subject matter considered patentable and important to our business. In addition, a portion of our proprietary position is based upon the use of technology and products we have licensed from others, including the master cell bank licensed from Biomira Inc. for OvaRex® MAb. The license agreement generally requires us to pay royalties upon commercialization of products covered by the licensed technology. We currently have an exclusive license from the University of Alberta to one issued patent, issued in the U.S. as well as 2 patent applications**.**

ViRexx or inventors who have assigned their patent applications to us own 46 issued and 141 pending patent applications worldwide. Of these, 22 are pending U.S. patent applications for our therapeutic product candidates and processes. These patent applications cover various aspects of our core technology product candidates, processes, and the methods for our production and use. We will continue to aggressively protect our technology with new patent filings with the intent of further extending our patent coverage.

The following patent families with issued patents and pending patents are considered significant to us:

	Issued	**Pending**
Altered Immunogenicity	2	7
Brevarex	4	24
Dendritic Cells	1	13
Multi-Epitopic	30	11
Photoactivation	2	4
ProstaRex	2	6
Tactin	3	9
Occlusin	1	14
Chimigen	0	3
	45	91

There are no issued patents, as yet, for Combination Therapy and Chimigen.

Trademarks And Trade Names

We rely upon our Canadian trade mark registrations to protect our technology. These registrations include ViRexxâ,ViRexx Power to Cure®, AIT®, AltaRex®, BrevaRex®, GivaRex®, IRT®, Occlusin® OvaRex®, ProstaRex® and T-ACT®. In the United States, we have registered trademarks for ViRexxâ, AIT®, AltaRex®, BrevaRex®, GastaRex®, GivaRex®, GynaRex®, HepaRex®, MylaRex®, OvaRex®, PleuraRex® and ProstaRex® as well as pending applications for the brand names related to its other developing product candidates including LivRex™, Occlusin™ and ViRexx Power to Cure Design. In addition, we have received registration and have pending applications for registration of our marks and names in other jurisdictions including Australia, Austria, the European Community, Germany, Hungary, Japan, Norway and Switzerland.

We currently have pending trademark applications in Canada for Hepclusin™ and Chimigen™.

D. Trend information

We have not had production or sales and have no inventory of product candidates.

E. Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements

F. Tabular Disclosure of Contractual Obligations

At December 31, 2005, expected minimum lease payments in each of the next five years and in total, relating to the office and laboratory facility and clinical research and milestone payments are as follows:

	2006	2007	2008	2009	2010	> 2010
Operating lease obligations	554,257	113,126	115,885	115,885	115,885	48,285
Milestone payments	-	-	-	-	-	500,000[(1)]
Total contractual obligations	554,257	113,126	115,885	115,885	115,885	548,285

Notes:

(1) License agreement milestone payments to third party upon commencement of Phase III clinical trials for each product candidate.

G. Safe Harbour

Not applicable.

Item 6. Directors, Senior Management and Employees

A. Directors and senior management

Each director is generally elected by a vote at the annual meeting of shareholders to serve for a term of one year. Each executive officer will serve until his/her successor is elected or appointed by the Board of Directors or his/her earlier removal or resignation from office. There are no family relationships between any of our executive officers and our directors. The following table lists our directors and senior management together with their respective positions as of

March 31, 2006:

Name	Position and Offices and Starting Date
Dr. Antoine A. Noujaim	Former Chairman, Former Chief Executive Officer and a Director since December 22, 2003 (on extended medical leave since October 24, 2005)
Dr. D. Lorne Tyrrell	Chief Executive Officer since November 1, 2005 and Chief Scientific Officer and a Director since December 22, 2003
Jacques R. Lapointe	Director since December 9, 2004
Bruce D. Brydon	Director since December 9, 2004
Thomas E. Brown	Director since December 22, 2003
Dr. Jean Claude Gonneau	Director since April 14, 2004
Douglas Gilpin, CA	Director since April 14, 2004; Chairman of the Board since October 24, 2005,
Macaraig (Marc) Canton	President and Chief Operating Officer since February 1, 2005, Acting Chief Financial Officer since November 2, 2005
Michael W. Stewart	Vice President, Operations, Oncology since December 22, 2003
Dr. Rajan George	Vice President, Research & Development, Infectious Diseases since December 22, 2003
Dr. Andrew Stevens	Vice President, Clinical and Regulatory Affairs since December 22, 2003
Dr. Irwin Griffith	Vice President, Drug Development, Infectious Disease since April 5, 2004

Antoine A. Noujaim, PH.D. D.Sc.	Dr. Noujaim founded AltaRex in 1995, and served as Chairman of the Board of Directors, Chief Scientific Officer, and President and Chief Executive Officer. In 1985, Dr. Noujaim co-founded Biomira Inc. (“Biomira”), a biotechnology company listed on the Toronto Stock Exchange under the symbol “BRA” and from 1993 to 1995 he served as President of a subsidiary unit, Biomira Research Inc. In addition, he acted as Senior Vice President of the Immunoconjugate Division of Biomira prior to 1994. Dr. Noujaim is Professor Emeritus of the University of Alberta and a director of a number of biotechnology companies. Dr. Noujaim co-founded ViRexx Research Inc. in September 2001, a predecessor corporation to ViRexx. Dr. Noujaim has served as an officer or chairman of various scientific organizations, editorial boards and national scientific committees, has authored more than 200 publications, and is an inventor on more than 100 issued patents and patent applications. He is the recipient of a number of national and international awards for contributions in the field of antibody-mediated therapeutics. Since October 24, 2005 Dr. Noujaim has been on extended medical leave but is still acting in a consulting capacity.

D. Lorne Tyrrell, Ph.D. M.D.	Dr. Tyrrell, a virologist of international repute, the former Dean of the Faculty of Medicine and Dentistry at the University of Alberta and the Director of the Glaxo Heritage Research Institute. His exceptional contributions to medical research have been recognized by his peers through awards such as the ASTech Award for Innovation and Science in Alberta, the Rutherford Award as "Outstanding Teacher for Undergraduate Students", the Kaplin Award for Excellence in Research, and the Prix Galien Canada Medal for Research for his groundbreaking work on antiviral drugs for hepatitis B. In 2000, Dr. Tyrrell was awarded the gold medal by the Canadian Liver Foundation and the Canadian Association for the Study of Liver, and the Alberta Order of Excellence from the Province of Alberta. In September 2001, Dr. Tyrrell co-founded ViRexx Research Inc. along with Dr. Noujaim. In 2002, he was appointed an officer of the Order of Canada by the Government of Canada. In addition to authoring over 200 publications, he played a pivotal role in the development of the antiviral agent Lamivudine presently marketed by Glaxo as Epivir® for the treatment of HBV and HIV. Dr. Tyrrell became Chief Executive Officer of ViRexx on November 1, 2005.
Jacques R. Lapointe	Mr. Lapointe has been a Director of ViRexx since December 9, 2004. He is Chairman of the Board of ConjuChem Inc. and recent President and Chief Operating Officer of BioChem Pharma, Inc. (Montreal, Quebec). Mr. Lapointe has more than 30 years of leadership and operational experience with global biotechnology and pharmaceutical organizations. Prior to BioChem Pharma, Mr. Lapointe was with Glaxo Wellcome plc for 12 years and held the positions of President and CEO of Glaxo Canada as well as Glaxo Wellcome U.K. His earlier experience included operations, marketing and sales, in positions at Johnson & Johnson Canada. Mr. Lapointe is a former Chairman of the Pharmaceutical Manufacturers Association of Canada (PMCA), now known as Canada's Research-based Pharmaceutical Companies (Rx&D). In 2003, Mr. Lapointe became President and CEO of ConjuChem Inc.
Bruce D. Brydon	Mr. Brydon has been a Director of ViRexx since December 9, 2004. Mr. Brydon is the former President and Chief Executive Officer of Biovail Corporation. He has more than 27 years of pertinent operational experience in biotechnology and pharmaceuticals, particularly in key industry areas such as registration and approval processes in the U.S., Canada and Europe, product licensing, and capital raising in the U.S. and Canadian debt/equity markets. Prior

to Biovail, Mr. Brydon served as President and Chairman of Boerhinger Mannheim's Canadian operations and as President of Beirsdorf AG's Canadian health care and industrial business entities.

Thomas E. Brown	Mr. Brown has been a director of ViRexx since December 22, 2004. Mr. Brown is the Founder, Director and former President of Somagen Diagnostics Inc., ("Somagen") an Edmonton-based, privately held sales and marketing company in the clinical laboratory diagnostic testing industry. Somagen's clinical diagnostic product lines are provided by some of the world's leading manufacturers in the areas of general chemistry, special chemistry, point of care, immunology, microbiology and cellular pathology. Somagen is currently the largest private clinical diagnostics company in Canada with sales, service and technical support in all regions of the country.
Dr. Jean Claude Gonneau	Dr. Gonneau has been a director of ViRexx since April 14, 2004. Dr. Gonneau is currently the General Manager of SG Cowen, Europe SAS, an investment banking institution. He has more than 25 years experience working in the financial markets in Europe and North America and maintains responsibility for the European operations of SG Cowen. Prior to his appointment as General Manager, he was Managing Director of SG Cowen. Dr. Gonneau is a director of numerous publicly traded companies and lives in London, England.
Douglas Gilpin, CA	Mr. Douglas Gilpin has been a director of ViRexx since April 14, 2004. Mr. Gilpin is a Chartered Accountant with more than 30 years of business advisory and consultancy experience. He was a partner with KPMG LLP from 1981 until his retirement from the firm in 1999. His practice focused on business advisory and assurance and involved work with numerous companies in the biotechnology field. Since October 24, 2005, Mr. Gilpin has been Chairman of ViRexx.
Macaraig (Marc) Canton, B.Sc., MBA	Mr. Canton has over 23 years of pharmaceutical and research experience. He joined ViRexx from Biovail Corporation where for 9 years he held key positions in multiple areas of the business in Canada and the United States, including marketing & sales, contract research and business development where he was responsible for all deal-related activities, including in-licensing and out-licensing products and technologies, partnering, and securing clinical trial contracts. Since November 2, 2005, Mr. Canton has been Acting Chief Financial Officer of ViRexx pending identification of a new Chief Financial Officer.

Michael W. Stewart, M.Sc.	Mr. Stewart has a 20-year history in the area of platelet biology and hematology. Mr. Stewart obtained his Master of Science degree in Experimental Medicine from the University of Alberta in 1982. In his capacity as Laboratory Scientist for the Department of Laboratory Medicine at Edmonton's Capital Health Authority (1982 - 1997), Mr. Stewart authored more than 35 publications in peer reviewed medical journals. In addition, Mr. Stewart is named as inventor of 15 issued patents and 22 patents pending. Prior to joining ViRexx, Mr. Stewart served as Vice President Research and Development for Novolytic Inc. from 1999 to 2002 and prior to that as Director of Research and Development for Thrombotics, Inc., a biotechnology company (1997 to 1999).
Rajan George, Ph.D.	Dr. George has 25 years of research experience within a broad spectrum of the biomedical sciences including biochemistry, molecular biology, virology and immunology. Prior to joining ViRexx, Dr. George was a research scientist at the Glaxo Heritage Research Institute, University of Alberta carrying out research on various biochemical aspects of replication of hepatitis B viruses. This involved the cloning and expression of the viral proteins as well as the generation of synthetic peptides for use as antigens to generate antibodies for therapeutic vaccine development. Dr. George has more than 35 publications in peer reviewed medical journals to his credit.
Andrew Stevens, Ph.D.	Prior to joining ViRexx, Dr. Stevens was the Vice President of Product Development at Cytovax Inc., a biotechnology company, Dr. Stevens' extensive experience includes responsibilities as Director of Clinical Research with ViRexx and serving as Director of Clinical and Regulatory Affairs and Director of Clinical and Professional Affairs at Biomira Inc., a biotechnology company. Dr. Stevens has over 30 years of clinical research, regulatory affairs, and product development experience gathered in the commercial development of various pharmaceuticals and radiopharmaceuticals in Canada and the US. He holds a Bachelor of Science degree in Pharmacy and a Ph.D. in Bionucleonics.
Irwin Griffith, Ph.D.	Dr. Irwin Griffith has more than 15 years of expertise in the development and commercialization of immunotherapies for cancer, inflammatory and autoimmune diseases. He previously served as Senior Director for Business Development with Biomira Inc. prior to founding Rational BioDevelopment Inc. in 2003.

Employment Agreements

Each of the employees of ViRexx have employment agreements. Below is a summary of the employment agreements for the top main employees of ViRexx:

1. Dr. Lorne Tyrrell (Effective November 1, 2005)
Position: Chief Executive Officer (CEO) and Chief Scientific Officer
Duties: In collaboration with the Board of Directors, responsible for the overall supervision, management and operations of ViRexx.

Time Devotion: Dr. Tyrrell is to devote full business time, attention and ability to ViRexx's affairs. He is also serving on several Boards of Directors and in various capacities at the University of Alberta including as the leader of the University of Alberta Centre of Excellence for Viral Hepatitis and supervisor of graduate students and will continue to serve in these various capacities and Dr. Tyrrell will use his reasonable efforts to manage his time appropriately.
Compensation: Commencing November 1, 2005, and throughout the term of this Agreement, a "Base Salary" of no less than CA $225,000.00 per annum exclusive of benefits and other compensation.
Bonuses: For each year of the term of the Employment Agreement and any extension or renewal thereof, Dr. Tyrrell is eligible to be considered for a bonus of up to 30% of Base Salary to be decided by the Board of Directors based on performance criteria pre-agreed with Dr. Tyrrell at the beginning of each year of the term of the Agreement.
Stock Options: Option effective on the Effective Date to purchase 500,000 common shares at a price per share and on the conditions stipulated in the Stock Option Plan; PROVIDED HOWEVER, the options will vest fully over three (3) years if Dr. Tyrrell continues to be employed as CEO.
Term: Agreement commences November 1, 2005 and continues until the Agreement is terminated by either Dr. Tyrrell or ViRexx in accordance with the Agreement.
Termination by Dr. Tyrrell and ViRexx Without Cause or Change of Control of the Employees: Agreement may be terminated without cause :
(a) by Dr. Tyrrell on giving 60 days notice. ViRexx may waive the notice.
(b) immediately by ViRexx, at ViRexx's discretion and provided that Dr. Tyrrell has served for at least one (1) full year, ViRexx shall pay Dr. Tyrrell, in lieu of notice, one (1) year's Base Salary, excluding bonus, and value of benefits otherwise received over same period and any accrued vacation pay as a full and final settlement.
(c) if Dr. Tyrrell has been employed for less than 1 year, the amount of Base Salary paid in lieu of notice shall be proportionate to the number of months during which Dr. Tyrrell is employed.
In the event that a change of control of ViRexx occurs and Dr. Tyrrell is terminated within a year of the change of control the above a, b and c apply.
Termination of Dr. Tyrrell for Disability: If Dr. Tyrrell suffers from any disability resulting in Dr. Tyrrell being unable to perform duties, ViRexx may terminate this Agreement upon giving 60 days notice and 1 year's salary, the value of benefits otherwise received over the same period and accrued vacation pay.

2. Macaraig (Marc) Canton (effective February 1, 2005)
Position: President and Chief Operating Officer
Duties: As a member of the Executive, the Chief Operating Officer is responsible for providing innovative leadership and direction to the senior management team while working with the Chief Executive Officer to promote the goals and values of ViRexx and ensuring the company's daily operations are handled in a productive, cooperative way with contemporary management.
Term: Mr. Canton's Agreement was effective as and from February 1st, 2005 and continues until January 31, 2008, unless terminated. The Agreement shall automatically continue in full force and effect for successive renewal periods of one year after January 31, 2008 unless terminated by either party by giving notice to the other at least 180 days prior to January 31, 2008 or the next succeeding automatic renewal date of the Agreement. If notice is given, the Agreement shall terminate on the day immediately after such automatic renewal date.
Exclusive Service: During the term of this employment, Mr. Canton shall devote the whole of his time and attention during business hours to the business of ViRexx.
Compensation: The Base Salary of $200,000.00 per annum, exclusive of benefits and other compensation (the "Base Compensation") reveiwable annually.

Bonus: Mr. Canton may be entitled to discretionary or variable compensation of up to 30% of Annual Salary, subject to the achievement of personal and corporate goals.
Stock Option: Option to purchase 300,000 common shares of ViRexx at an option exercise price per share equal to the closing price of ViRexx's common shares on the Toronto Stock Exchange on January 31, 2005 (the "Stock Option"), subject to the provisions of ViRexx's stock option agreement and all applicable regulations and laws. The three hundred thousand (300,000) Options shall vest over two years.
Termination: Employment shall terminate upon the earlier of: his death; or his attaining the age of sixty-five (65) years.
Disability: If Mr. Canton is unable to fulfill his duties and responsibilities as COO due to Disability, ViRexx shall have the right to terminate this Agreement upon providing 60 days notice in writing and the payment of 6 months salary, the value of benefits that would otherwise be received during the same period and any accrued vacation pay.
Termination by Mr. Canton and ViRexx Without Cause or Change of Control of the Employees:
(a) ViRexx may terminate employment without cause upon:
(i) providing Mr. Canton with notification of termination, specifying the final date of his employment:
(ii) providing Mr. Canton with 6 months severance remuneration during the first full year of Mr. Canton's employment and 12 months severance remuneration thereafter;
(iii) all benefits and allowances cease as of the Termination Date, subject to any conversion rights under ViRexx's group benefit plan; and
(b) Mr. Canton may resign from his employment on the following terms:
(i) Mr. Canton shall provide to ViRexx 3 months notice "Working Notice Resignation Period", or such shorter period as the parties may mutually agree. ViRexx may waive the notice in full or in part;
(ii) during the Working Notice Resignation Period, Mr. Canton shall continue to use his best efforts to discharge his duties and responsibilities as COO;
(iii) Mr. Canton's employment shall terminate on the last day of the Working Notice Resignation Period unless terminated early by ViRexx; and
(iv) all benefits and allowances shall cease as of the last day of the Working Notice Resignation Period, subject to any conversion rights.
If Mr. Canton elects to terminate his employment excluding any termination of Mr. Canton's employment that occurs due to a Change of Control during the Control Change Period. ViRexx shall pay to Mr. Canton the following:
(a) an amount equal to the Paid Notice Period; and
(b) the value of the benefits to be provided during the 12 months following the date of his termination.

3. Michael Stewart (Effective January 1, 2004)
Position: Vice President Operations for the Division of Oncology
Duties: Responsible for supervision and management of the Division of Oncology
Time Devotion: Mr. Stewart is supposed to devote full business time, attention and ability to ViRexx's affairs.
Compensation: Commencing January 1, 2004, a salary, for each year of the 3 year term, of no 1ess than CA $120,000.00 per annum, reviewable annually.
Bonuses: Mr. Stewart is eligible to be considered for an annual bonus based on a percentage of salary.
Stock Options: Option to purchase 100,000 common shares at a price of $0.80 per share vested upon commencement of the term.
Term: Mr. Stewart's Agreement commenced on January 1, 2004 and continues until December 31, 2006 at which time the Agreement shall expire unless terminated earlier or unless a renewal or extension is negotiated. If the Agreement is not renewed or extended for at least 1 year from December 31, 2006 or Mr. Stewart's employment is terminated Mr. Stewart shall be entitled to payment of 6 months' salary.

Termination by Mr. Stewart and ViRexx Without Cause or Change of Control of the Employees: The Agreement may be terminated by ViRexx or Mr. Stewart without cause:
(a) by Mr. Stewart on giving 60 days notice. ViRexx may waive the notice.
(b) if Mr. Stewart has been employed for less than 1 year, by ViRexx on giving 6 months notice or payment in lieu of notice.
(c) if Mr. Stewart has been employed for more than one year, by ViRexx on giving 1 years' notice or payment in lieu of notice;
If a change of control of ViRexx occurs and Mr. Stewart is terminated within a year of the change of control the above provisions apply.
Termination of Mr. Stewart for Disability: If Mr. Stewart suffers from any disability resulting in Mr. Stewart being unable to perform duties, ViRexx may terminate this Agreement upon giving 60 days notice, 6 months' salary, the value of benefits otherwise received over the same period and accrued vacation pay.

4. Dr. Irwin Griffith (Effective April 6, 2004)
Position: Vice President
Duties: Responsible for duties associated with office of Vice President and any other duties as the President and/or the Board of Directors of ViRexx determine.
Time Devotion: Dr. Griffith shall devote his full business time, attention and ability to ViRexx's affairs.
Compensation: Commencing January 1, 2004, a salary, for each year of the 3 year term, of no less than CA $125,000.00 per annum, reviewable annually. Plus, upon signing the Agreement, a one time payment of CA $10,000.00.
Bonuses: Dr. Griffith is eligible to be considered for an annual bonus based on a percentage of salary.
Stock Options: Option to purchase 100,000 common shares at a price of $0.80 per share. The option shall vest in equal 1/3 amounts over a three (3) year period.
Term: Dr. Griffith's Agreement commenced on April 6 2004 and continues until April 5, 2006, at which time it shall expire unless terminated earlier or unless a renewal or extension is negotiated on a mutually satisfactory basis between ViRexx and Dr. Griffith. If the Agreement is not renewed or extended for another term of at least one (1) year from April 5, 2006 or Dr. Griffith's employment is terminated, Dr. Griffith shall be entitled to payment of six (6) months' salary.
Termination by Dr. Griffith and ViRexx Without Cause or Change of Control of the Employees: The Agreement may be terminated by ViRexx or Dr. Griffith without cause:
(a) by Dr. Griffith on giving 60 days notice. ViRexx may waive the notice.
(b) if Dr. Griffith has been employed for less than one (1) year, by ViRexx on giving six (6) months notice or payment in lieu of notice and
(c) if Dr. Griffith has been employed for more than one year, by ViRexx on giving one (1) years' notice or payment in lieu of notice.
If a change of control of ViRexx occurs and Dr. Griffith is terminated within a year of the change of control the above provisions apply.
Termination of Dr. Griffith for Disability: If Dr. Griffith suffers from any disability resulting in Dr. Griffith being unable to perform duties, ViRexx may terminate this Agreement upon giving 60 days notice, 6 months' salary, the value of benefits otherwise received over the same period and accrued vacation pay.

5. Dr. Rajan George (Effective January 1, 2004)
Position: Vice President Research and Development

Duties: Responsible for overall supervision and management of Research and Development.
Time Devotion: Dr. George shall devote his full business time, attention and ability to ViRexx's affairs.
Compensation: Commencing January 1, 2004, a salary, for each year of the 3 year term, of no less than CA $120,000.00 per annum, reviewable annually.
Bonuses: Dr. George is eligible to be considered for an annual bonus based on a percentage of salary.
Stock Options: Option to purchase 100,000 common shares at a price of $0.80 per share vesting on commencement of the term.
Term: Dr. George's Agreement commenced on January 1, 2004 and continues until December 31, 2006, at which time it shall expire unless terminated earlier or unless a renewal or extension is negotiated on a mutually satisfactory basis between ViRexx and Dr. George. If Agreement is not renewed or extended for another term of at least one (1) year from December 31, 2006 or Dr. George's employment is terminated Dr. George shall be entitled to payment of six (6) months' salary.
Termination by Dr. George and ViRexx Without Cause or Change of Control of the Employees: The Agreement may be terminated by ViRexx or Dr. George without cause:
(a) by Dr. George on giving 60 days notice. ViRexx may waive the notice.
(b) if Dr. George has been employed for less than one (1) year, by ViRexx on giving six (6) months notice or payment in lieu of notice and
(c) if Dr. George has been employed for more than one year, by ViRexx on giving one (1) years' notice or payment in lieu of notice.
If a change of control of ViRexx occurs and Dr. George is terminated within a year of the change of control the above provisions apply.
Termination of Dr. George for Disability: If Dr. George suffers from any disability resulting in Dr. George being unable to perform duties, ViRexx may terminate this Agreement upon giving 60 days notice, 6 months' salary, the value of benefits otherwise received over the same period and accrued vacation pay.

6. Dr. Andrew Stevens (effective January 1, 2004)
Position: Vice President Clinical and Regulatory Affairs
Duties: Responsible for the overall supervision and management of Clinical and Regulatory Affairs.
Time Devotion: Dr. Stevens shall devote his full business time, attention and ability to ViRexx's affairs.
Compensation: Commencing January 1, 2004, a salary, for each year of the three (3) year term of no less than CA$120,000.00 per annum, reviewable annually
Bonuses: Dr. Stevens is eligible to be considered for an annual bonus based on a percentage of salary.
Stock Options: Option to purchase 100,000 common shares at a price of $0.80 per share vesting upon commencement of the term.
Term: Dr. Stevens' Agreement commenced January 1, 2005 and shall continue until December 31, 2006 which time the Agreement shall expire unless terminated earlier or unless a renewal or extension is negotiated on a mutually satisfactory basis between ViRexx and Dr. Stevens. In the event that the Agreement is not renewed or extended for another term of at least one (1) year from December 31, 2006 or Dr. Stevens' employment is terminated, Dr. Stevens shall be entitled to payment of six (6) months' salary.
Termination by Dr. Stevens and ViRexx Without Cause or Change of Control of the Employees: The Agreement may be terminated by ViRexx or Dr. Stevens without cause:
(a) by Dr. Stevens on giving 60 days notice. ViRexx may waive the notice.

(b) if Dr. Stevens has been employed for less than 1 year, by ViRexx on giving 6 months notice or payment in lieu of notice.
(c) if Dr. Stevens has been employed for more than one year, by ViRexx on giving 1 years' notice or payment in lieu of notice.
If a change of control of ViRexx occurs and Dr. Stevens is terminated within a year of the change of control the above provisions apply.
Termination of the Employee for Disability: If Dr. Stevens suffers from any disability resulting in Dr. Stevens being unable to perform duties, ViRexx may terminate this Agreement upon giving 60 days notice, 6 months' salary, the value of benefits otherwise received over the same period and accrued vacation pay.

B. Compensation

As at December 31, 2005, we had six executive officers. The aggregate cash compensation (including salaries, fees (including Director's fees), commissions, bonuses to be paid for services rendered, bonuses paid for services rendered in a previous year, and any compensation other than bonuses earned, the payment of which is deferred), paid to and/or accrued in favour of such executive officer and corporations controlled by them by us for services rendered during the fiscal year ended December 31, 2005 was $240,000 to Dr. Noujaim, $100,000 to Dr. Tyrrell who replaced Dr. Noujaim as CEO, $183,333 to Mr. Canton, $406,923 (inclusive of severance pay) to Mr. Salmon [former CFO], $126,000 to Mr. Stewart, $126,000 to Dr. George, $125,000 to Dr. Stevens and $131,250 to Dr. Griffith. We did not pay or accrue any other aggregate additional direct non-cash compensation to the executive officers during the financial year ended December 31, 2005. As at December 31, 2005, no amounts have been accrued or set aside for pension, retirement or other benefits for the executive officers and directors. When Dr. Noujaim went on extended medical leave, the Directors agreed to pay him the equivalent of one (1) year's base salary.

Summary Compensation Table

The following table sets forth the compensation paid by us for the most recently completed financial year in respect of the directors and members of our administrative, supervisory or management bodies:

		Annual Compensation			Long-Term Compensation Awards		Payouts	
Name and Principal Position	Year	Gross Salary ($)	Bonus ($)	Other Annual Compensation ($)	Securities Under Options/ SARs[4] Granted (#)	Restricted Shares or Restricted Share Units ($)	LTIP[1] Payouts ($)	All Other Compensation ($)
Dr. Antoine A. Noujaim, [3] [Former Chairman, Former President, Former Chief Executive Officer] Director	2005	240,000	Nil	Nil	Nil	Nil	Nil	Nil
Dr. D. Lorne Tyrrell, Chief Executive Officer and Chief Scientific Officer	2005	100,000	Nil	Nil	500,000	Nil	Nil	Nil
	2005	Nil	Nil	6,250	Nil	Nil	Nil	Nil

Jacques R. Lapointe, Director								
Bruce D. Brydon, Director	2005	Nil	Nil	9,000	Nil	Nil	Nil	Nil

		Annual Compensation			Long-Term Compensation Awards		Payouts	
Name and Principal Position	Year	Gross Salary ($)	Bonus ($)	Other Annual Compensation ($)	Securities Under Options/ SARs[4] Granted (#)	Restricted Shares or Restricted Share Units ($)	LTIP[1] Payouts[2] ($)	All Other Compensation ($)
Thomas E. Brown, Director	2005	Nil	Nil	9,500	Nil	Nil	Nil	Nil
Dr. Jean Claude Gonneau, Director	2005	Nil	Nil	8,250	Nil	Nil	Nil	Nil
Douglas Gilpin, CA, Director	2005	Nil	Nil	9,750		Nil	Nil	Nil
Macaraig (Marc) Canton,[3] President, COO and acting CFO	2005	183,333	Nil	Nil	300,000	Nil	Nil	Nil
Michael W. Stewart, Vice President of Operations, Oncology	2005	126,000	Nil	Nil		Nil	Nil	Nil
Dr. Rajan George, Vice President, Research and Development, Infectious Diseases	2005	126,000	Nil	Nil	Nil	Nil	Nil	Nil
Dr. Andrew Stevens, Vice President, Clinical and Regulatory	2005	125,000	Nil	Nil	Nil	Nil	Nil	Nil
Dr. Irwin Griffith, Vice President, Drug Development and Infectious Diseases	2005	131,250	Nil	Nil	Nil	Nil	Nil	Nil
Rob Salmon, [Former Chief Financial Officer & Secretary]	2005	406,923	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

(1) Long Term Incentive Plan ("LTIP") is a plan of compensation based on the performance of ViRexx over several financial years.

(2) ViRexx does not have any plans, which provide compensation intended to serve as incentive to executive officers for performance to occur over a period longer than one year.

(3) Dr. Antoine Noujaim was appointed Chairman, President, Chief Executive Officer and Director on the date of the ViRexx Amalgamation, December 22, 2003. Subsequent to December 31, 2004, Dr. Noujaim resigned his position as President of ViRexx effective February 1, 2005 and his position as Chief Executive Officer effective November 1, 2005.

(4) Stock Appreciation Right ("SAR") is a right granted by ViRexx as compensation for services rendered or otherwise in connection with office or employment to receive payment of cash or an issue or transfer of securities based wholly or in part on changes in the trading price of publicly traded securities.

We have granted stock options to certain officers and directors as described in Item 6E.

C. Board practices

The directors listed above were elected to serve as directors at the annual and special meeting of the shareholders held on June 16, 2005 for the ensuing year until the next annual meeting of the shareholders. They were re-elected on June 16, 2005 to serve for the coming year until the next annual meeting. All of these directors are members of the environmental committee.

Douglas Gilpin, Thomas Brown and Bruce Brydon constitute the audit committee.

Jacques Lapointe, Thomas Brown and Dr. Jean Claude Gonneau constitute the compensation committee.

Douglas Gilpin, Bruce Brydon and Dr. Jean Claude Gonneau constitute the nominating and corporate governance committee.

Our by-laws provide that from time to time the directors may fix the quorum for meetings of directors and for meetings of committees of directors but unless so fixed, a majority of the directors present at a meeting of directors or a majority of members of a committee of directors at a meeting of that committee of directors constitutes a quorum and to the extent required by the ABCA no business may be transacted unless one-half of the directors present are resident Canadians. Meetings of the Board or committees of the Board may be held any place the Board determines or by telephone.

Board of Directors

The Board currently consists of seven members. Each director elected will hold office until the next annual meeting of shareholders or until his successor is duly elected, unless his office is earlier vacated in accordance with our by-laws.

Board Committees

The Board of Directors has four standing committees: an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee and an Environmental Committee.

Audit Committee

The members of the Audit Committee are all outside and unrelated directors and are independent from any interest in us. The Chairman of the Audit Committee is Douglas Gilpin. He was specifically recruited for his accounting and financial skills. All members of the Audit Committee are considered financially literate. The Audit Committee met formally four times in 2005 and several times by telephone and all members were present at each meeting. We formally adopted the Audit Committee Charter on April 11, 2005. The stated purpose of the Audit Committee is to serve as an independent and objective party to monitor the integrity of our financial reporting process and system of internal controls, to review, appraise and monitor the independence and performance of our independent auditors and to provide an avenue for open communication among the independent auditors, management and the Board of Directors. All members of the Audit Committee must have a basic understanding of finance and accounting and must be able to read and understand fundamental financial statements. In addition, the Audit Committee reviews the independence and performance of its auditors and approves the fees and other significant compensation to be paid to the independent auditors. The Audit Committee has direct access to the independent auditors at all times and has the ability to retain, at our expense, special legal, accounting or other consultants or experts it deems necessary in the performance of its duties.

Compensation Committee

The members of the Compensation Committee are all outside and unrelated directors and are all independent from any interest in us. The Compensation Committee also adopted a charter on April 11, 2005. Under its charter, the Compensation Committee is responsible for reviewing management prepared policies and recommending to the Board of Directors on compensation policies and guidelines for senior officers and management personnel, corporate benefits, incentive plans, evaluation of the performance and compensation of the Chief Executive Officer and other senior management, compensation level for members of the Board of Directors and committee members, a succession plan for the Chief Executive Officer and key employees of us and any material changes in human resources policy, procedure, remuneration and benefits.

The Compensation Committee advises the Board on the administration of our Stock Option Plan, and reviews and approves the recommendations of senior management relating to the annual salaries, bonuses and stock option grants of the executive officers of us. The Compensation Committee reports to the Board, which in turn gives final approval to compensation matters.

Under the direction of the Compensation Committee, we are committed to the fundamental principles of pay for performance, improved shareholder returns and external competitiveness in the design, development and administration of its compensation programs. The Compensation Committee recognizes the need to attract and retain a stable and focused leadership with the capability to manage our operations, finances and assets. As appropriate, the Compensation Committee recognizes and rewards exceptional individual contributions with highly competitive compensation. The major elements of our executive compensation program are salary, annual cash incentives and long-term incentives, through the granting of stock options.

In connection with determining base salaries, we maintain an administrative framework of job levels into which positions are assigned based on internal comparability and external market data. Because of our lean organizational structure and potential growth in the international arena, the Compensation Committee's goal is to provide base salaries, for its top performing employees, that are competitive with our peers and which also recognize the differentials from such peers.

The Board believes that employees should have a stake in our future and that their interest should be aligned with the interest of our stockholders. To this end, the Committee selects those executives and key employees whose decisions and actions can most directly impact business results to participate in the Stock Option Plan. Under the Stock Option Plan, officers, consultants, and key employees who are selected to participate are eligible to receive stock options that are granted subject to a vesting period determined by us and approved by the Board to create a long-term incentive to increase shareholder value. Awards of stock options are supplementary to the cash incentive plan and are intended to increase the pay-at-risk component for officers and key employees.

We have employment agreements or remuneration arrangements with all of our executive officers. Each agreement or arrangement provides for salary, benefits, bonuses and incentive stock option grants for the executive officer, and for compensation if his or her employment is terminated. Commencing January 1, 2005, directors are paid $1,500 per board meeting and $250 per committee meeting, except as described herein, there are no other agreements or other remuneration arrangements with any of its directors. The Compensation Committee met twice formally during 2005 but communicated informally from time to time.

Nominating and Corporate Governance Committee

The members of this Committee are all outside and unrelated directors and are independent from any interest in us. The Nominating and Corporate Governance Committee also adopted a charter on April 11, 2005.

Pursuant to its charter, the Nominating and Corporate Governance Committee takes responsibility for preparing the disclosure in the Information Circular concerning corporate governance, and for developing and monitoring our general approach to corporate governance issues as they arise. It also assumes responsibility for assessing current members and nominating new members to the Board of Directors and ensuring that all Board members are informed of and are aware of their duties and responsibilities as a director of us. The Nominating and Corporate Governance Committee takes responsibility for the adoption of adequate policies and procedures to allow us to meet our continuous disclosure requirements, manage our principal risks, review the strategic plan on a timely basis, develop and monitor corporate policies relating to trading in securities, ensuring the Board annually reviews organizational structure and succession planning, reviews areas of potential personal liability of directors and ensures reasonable protective measures are in place and causes the Board to annually review its definition of an unrelated director. The

Committee met formally twice in 2005 and communicated informally from time to time.

Our approach to corporate governance with reference to the TSX Guidelines is set out in our Management Information Circular. See Exhibit 1.1.

Environmental Committee

The Environmental Committee is comprised of our entire Board of Directors. The Environmental Committee adopted a charter on April 11, 2005. Under its charter the Environmental Committee will review, provide oversight of and monitor our environmental, health and safety policies, practices and actions; review, provide oversight of and monitor the social, political, and environmental trends, issues and concerns at the legislative, regulatory and judicial levels as they affect us and the industry, along with our positions and responses with respect thereto. It will also receive reports on the nature and extent of compliance or any non-compliance with relevant policies, standards and applicable legislation and will develop plans to correct deficiencies, if any. It reports to the Board on the status of such matters and reviews such other environmental matters as the Committee may consider suitable or the Board may specifically direct.

The Environmental Committee meets each time we have a board meeting because it is a committee of the whole board.

D. Employees

As at March 31, 2006, we have 31 fulltime employees and one part time employee of which 18 hold a Ph.D. There are currently 24 employees in research and development, and 7 employees in administration, corporate affairs and business development. All employees execute confidentiality and non-competition agreements and assignments of intellectual property rights to us.

We are not party to any collective bargaining agreements, have never experienced any material labour disruption and are unaware of any current efforts or plans to organize employees. We consider our relationship with our employees good.

E. Share ownership

The following table sets out the names and titles of our executive officers and directors and their respective common share ownership in us as at March 31, 2006:

Name	Title/Office	Share Ownership directly or indirectly and as a % of Outstanding Shares
Dr. Antoine A. Noujaim	Director and Former Chief Executive Office	5,944,019 8.55%
Dr. D. Lorne Tyrrell	Chief Executive Officer, Chief Scientific Officer and Director	1,656,792 2.3%
Jacques R. Lapointe	Director	175,000 0.25%
Bruce D. Brydon	Director	Nil

Name	Title/Office	Share Ownership directly or indirectly and as a % of Outstanding Shares
Thomas E. Brown	Director	911,580 1.31%
Dr. Jean Claude Gonneau	Director	20,000 0.03%
Douglas Gilpin, CA	Chairman and Director	Nil
Macaraig (Marc) Canton	President and Chief Operating Officer and Acting Chief Financial Officer	100,000 0.14%
Michael W. Stewart	Vice President, Operations, Oncology	266,039 0.038%
Dr. Rajan George	Vice President, Research & Development, Infectious Diseases	65,325 0.09%
Dr. Andrew Stevens	Vice President Regulatory Affairs	Nil
Dr. Irwin Griffith	Vice President, Drug Development, Infectious Disease	Nil

The names and titles of our executive officers and directors to whom options have been granted by us which are outstanding as of March 31, 2006 and the number of Common Shares subject to such options are set forth in the following table:

Name	Title/Office	Number of Shares	Exercise Price	Expiry Date
Dr. Antoine A. Noujaim,	Director[(1)] , Former President & Chief Executive Officer	350,000	$0.80	December 23, 2008
		1,125,000	$0.48	May 15, 2013
		200,000	$0.90	December 16, 2014
		150,000	$1.50	February 15, 2008
Dr. D. Lorne Tyrrell	Chief Executive Officer, Chief Scientific Officer & Director	300,000	$0.80	December 23, 2008
		20,000	$0.90	December 16, 2014
		500,000	$0.99	November 1, 2015
	Director	125,000	$0.80	April 14, 2009

Dr. Jean Claude Gonneau		20,000	$0.90	December 16, 2014
Douglas Gilpin	Director	125,000	$0.80	April 14, 2009
		20,000	$0.90	December 16, 2014

Name	Title/Office	Number of Shares	Exercise Price	Expiry Date
Jacques R Lapointe	Director	10,000	$6.26	May 24, 2011
		20,000	$0.94	June 19, 2012
		50,000	$0.76	July 18, 2012
		200,000	$0.86	June 9, 2013
		125,000	$0.90	December 16, 2014
Bruce D. Brydon	Director	10,000	$3.90	April 10, 2011
		20,000	$0.94	June 19, 2012
		75,000	$0.86	June 9, 2013
		125,000	$0.90	December 16, 2014
Thomas E. Brown	Director	150,000	$0.80	December 23, 2008
		20,000	$0.90	December 16, 2014
Macraig (Marc) Canton	President, Chief Operating Officer and Acting Chief Financial Officer	300,000	$1.17	February 1, 2015
Michael W. Stewart	Vice President Operations, Oncology	100,000	$0.80	December 23, 2008
		50,000	$0.86	January 9, 2013
		15,000	$0.90	December 16, 2014
Dr. Rajan George	Vice President, Research and Development	150,000	$0.80	December 23, 2008
		15,000	$0.90	December 16, 2014
Dr. Andrew Stevens	Vice President, Clinical and Regulatory Affairs	100,000	$0.80	December 23, 2008

		15,000	$0.90	December 16, 2014
Dr. Irwin Griffith	Vice President, Drug Development	100,000	$0.80	April 14, 2009
		15,000	$0.90	December 16, 2014

Option Plan

We have in place a Stock Option Plan dated June 16, 2005 (the “Plan”) pursuant to which the Board of Directors of ViRexx may grant stock options (“Options”) up to a maximum of 8,256,000 Shares of ViRexx. The Plan provides that the terms of the Options and the Option price shall be fixed by the Directors subject to the price restrictions and other requirements imposed by the TSX. The Plan also provides that no Option shall be granted to any person except upon recommendation of the Directors of ViRexx, and only Directors, officers, employees, consultants and other persons who provide ongoing services of us or our subsidiaries may receive Options. Options granted under the Plan may not be for a period longer than ten (10) years and the exercise price must be paid in full upon exercise of the option.

During the financial year ended December 31, 2005, there were 890,000 options granted to the Directors, employees or executives of the Corporation pursuant to the option plan or otherwise.

As at December 31, 2005, 6,670,200 out of the authorized 8,256,000 options have been granted leaving 1,585,800 available for future grants. Any options which are exercised do not replenish the option pool.

The purpose of the Plan is to assist Directors, officers, employees, consultants and other persons who provide ongoing services of ViRexx and any of its subsidiaries to participate in the growth and development of ViRexx. The total number of Shares, which may be granted to any optionee, shall not exceed 5% of the outstanding Shares. The granting of Options is administered by the ViRexx Board, subject to the policies of the TSX.

During the financial year ended December 31, 2004, there were 4,564,168 Options which were either granted or converted from AltaRex options pursuant to the Arrangement. Subsequent to the financial year ended December 31, 2004, we granted an additional 300,000 Options at an exercise price of $1.17, exercisable until February 1, 2015, to Marc Canton as an inducement to his terms of employment as President and Chief Operating Officer of ViRexx. These Options were not granted pursuant to the Plan.

No optionee has any rights as a shareholder with respect to any shares subject to an option prior to the date of the issuance of a certificate or certificates for such shares.

The following table sets forth information in respect of compensation plans under which equity securities of the Corporation are authorized for issuance, as at the Corporation's financial year ended December 31, 2005:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	6,670,200[(1)(2)]	$ 1.76	1,585,800[(1)]
Equity compensation plans not approved by security holders	703,567[(3)(4)(5)]	$ 1.29	Nil
Total:	7,373,767		1,585,800

Notes:

(1) Includes 6,670,200 Shares issuable upon exercise of outstanding Options during the Corporation's financial year ended December 31, 2005. The Corporation can grant no more than 8,256,000 Options under the Option Plan. See "Stock Options".

(2) Includes 50,000 and 85,000 Options granted to the University of Alberta on December 23, 2003 and April 14, 2004 respectively, pursuant to a license agreement dated December 13, 2001.

(3) Includes an Option granted to Mr. Canton on February 1, 2005 to purchase 300,000 Shares of the Corporation at a purchase price of $1.17 per Share.

(4)

Includes warrants granted to Montex Exploration Limited on September 9, 2005 to purchase up to 403,567 Shares at a price of $1.20 per Share until September 9, 2007.

(5) During the Corporation's financial year ended December 31, 2005, Canaccord Capital Corporation ("Canaccord") exercised warrants to purchase 1,100,000 Shares at a purchase price of $0.80 per Share. These warrants were granted in consideration of services rendered in connection with a public offering based on the Corporation's prospectus dated March 26, 2004. As well, of the warrants to purchase 500,000 Common Shares granted to Canaccord in connection with a special warrant private placement, Canaccord exercised warrants purchase 500,000 Shares at a price of $0.80 per Share.

F. Pension and Retirement Plans and Payments made upon Termination of Employment

We do not have any pension or retirement plan which is applicable to the Named Executive Officers other than as described below. We have not provided compensation, monetary or otherwise, during the preceding fiscal year, to any person who now acts or has previously acted as a Named Executive Officer of ViRexx, in connection with or related to the retirement, termination or resignation of such person other than as described in the succeeding paragraph and we have provided no compensation to such persons as a result of a change of control of us, our subsidiaries or affiliates. We are not party to any compensation plan or arrangement with any person who now acts as a Named Executive Officer resulting from the resignation, retirement or the termination of employment for cause of such person.

Item 7. Major Shareholders and Related Party Transactions

A. Major shareholders

The following table sets forth, as at March 31, 2005, certain information regarding each person who is known to us as an owner of more than 5% of the outstanding Common Shares of us.

Name	Class	Amount Owned[(1)]	% of Class
Dr. Antoine A. Noujaim	Common	5,944,019	8.55%
Canmarc Trading Co.[(2)]	Common	7,018,510	10.09%

(1) Includes the Common Shares directly controlled by Dr. Noujaim.

(2) Michael Marcus of Houston, Texas, holds 100% voting and dispositive power over Canmarc Trading Co.

None of our major shareholders have different voting rights.

Based on a report by Computershare, as at March 31, 2006, there were 32 registered Shareholders in the United States that held common shares totalling 10,820,827 or 15.56% percent of the common shares outstanding.

To the extent known to us, we are not directly or indirectly owned or controlled by any Foreign Government, or by any other natural or legal persons, severally or jointly.

B. Related party transactions

To the best of the knowledge of our management, other than information already disclosed elsewhere in this Form 20-F and except for employment agreements with Executive Officers and stock option agreements, no person who has been an insider of us for the three (3) most recently completed financial years ended December 31, 2005, December 31, 2004 or December 31, 2003 or subsequent period to the date of this Form 20-F or any associate or affiliate of such insider has had any material direct or indirect interest in any material transaction with us since January 1, 2003 or in any proposed transaction which has materially affected or would materially affect us or our subsidiaries**.**

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[1] "Related Party" means, in relation to a corporation, a promoter, officer, Director, other insider or Control Person of that corporation (including an issuer) and any associates and affiliates of any of such persons. In relation to an individual, related party means any associates of the individual or any corporation of which the individual is a promoter, officer, Director or Control Person.

C. Interests of experts and counsel

Not Applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

Our consolidated financial statements are included herein under Item 18.

Legal Proceedings

There are no material legal proceedings which have been commenced against us or, to the knowledge of management of ViRexx, will be commenced.

Dividend Policy

To date, we have not paid any dividends on its Common Shares. The payment of dividends in the future, if any, is within the discretion of the Board of Directors of ViRexx and will depend upon our earnings, our capital requirements and financial condition and other relevant factors. We do not anticipate declaring or paying any dividends in the foreseeable future.

B. Significant Changes

Not applicable.

Item 9. The Offer and Listing

A. Offer and listing details

Our Common Shares are traded on the Toronto Stock Exchange under the symbol “VIR” and on the American Stock Exchange (“AMEX”) under the symbol “REX”. The following tables set forth, the annual high and low market prices for the five most recent full financial years as reported on the Toronto Stock Exchange and for the period indicated on AMEX:

Toronto Stock Exchange (in CDN$):

	High	Low
December 31, 2005	2.13	0.89
December 16, 2004 - December 31, 2004[1]	1.22	0.85
TSX Venture Exchange		
December 15, 2004[1]	1.60	0.90
December 31, 2003[2]	0.14	0.10
December 31, 2002[3]	0.23	0.15
December 31, 2001[3]	0.55	0.30

Notes:

(1) ViRexx's Shares were delisted from the TSXV on December 15, 2004 and commenced trading on the TSX on December 16, 2004 as a result of the AltaRex Arrangement effective December 10, 2004.

(2) Prior to the ViRexx Amalgamation, Norac, one of the predecessors to ViRexx, was a publicly listed company on the TSXV. On June 23, 2003, trading of Norac's common shares was halted upon the announcement of the ViRexx Amalgamation. On August 18, 2003, Norac's listing was moved to the NEX board of the TSXV as a result of its inactive status. Pursuant to the ViRexx Amalgamation, the common shares of Norac were delisted from the TSXV on January 2, 2004 and ViRexx's Shares were listed on the TSXV that same date but remained halted. ViRexx's Shares resumed trading on the TSXV on April 16, 2004.

(3) The trading price of common shares of Norac.

AMEX (in USD$):

	High	Low
December 23, 2005 - December 31, 2005[(1)]	1.46	1.08

Notes:

(1) ViRexx's Shares commenced trading on AMEX on December 23, 2005.

The high and low market prices for each full financial quarter over the two most recent full financial years and the subsequent period are as set forth below:

Toronto Stock Exchange (in CDN$):

	High	Low [(1)]
March 31, 2006	1.66	1.22
December 30, 2005	1.61	0.89
September 30, 2005	1.15	0.94
June 30, 2005	1.59	0.96
March 31, 2005	2.13	1.09
December 16, 2004 - December 31, 2004	1.22	0.85
TSX Venture Exchange		
December 15, 2004	1.20	0.94
September 30, 2004	1.18	0.90
June 30, 2004	1.60	1.02
March 31, 2004	-	-

Notes:

(1) Prior to the ViRexx Amalgamation, Norac, one of the predecessors to ViRexx, was a publicly listed company on the TSXV. On June 23, 2003, trading of Norac's common shares was halted upon the announcement of the ViRexx Amalgamation. On August 18, 2003, Norac's listing was moved to the NEX board of the TSXV as a result of its inactive status. Pursuant to the ViRexx Amalgamation, the common shares of Norac were delisted from the TSXV on January 2, 2004 and ViRexx's Shares were listed on the TSXV that same date but remained halted. ViRexx's Shares resumed trading on the TSXV on April 16, 2004.

AMEX (in USD$):

	High	Low
March 31, 2006	1.43	1.08

December 23, 2005 - December 31, 2005	1.46	1.08

For the most recent six months, the high and low market prices of our Common Shares are as set forth below:

Toronto Stock Exchange (in CDN$):

	High	Low
March 31, 2006	1.40	1.22
February 28, 2006	1.50	1.26
January 31, 2006	1.66	1.30
December 31, 2005	1.61	1.03
November 30, 2005	1.15	0.89
October 31, 2005	1.04	0.94

AMEX (in USD$):

	High	Low
March 31, 2006	1.23	1.08
February 28, 2006	1.34	1.10
January 31, 2006	1.43	1.12
December 23, 2005 - December 31, 2005	1.46	1.08

Our Common Shares were de-listed from the TSX Venture Exchange on December 15, 2004 and contemporaneously listed on the Toronto Stock Exchange.

Option Summary

See Note 11 to Item 18 “Consolidated Financial Statements” for tabular historical option and warrant information.

Granted Options pursuant to licensing agreements:
License Agreement: Tyrrell Hepatitis monoclonal technology

Time of Grant: Concurrent with close of each financing round and/or financing tranche

Vesting: Concurrent with grant of option

Term: Five years from grant of option

Name	Vesting Schedule	Date of Grant	Expiry Date	Exercise Price	Options Granted	Outstanding 9/30/2005	Vested 9/30/2005	Expiration Year
University of Alberta	Immediate	23-Dec-2003	23-Dec-2008	$ 0.80	50,000	50,000	50,000	2008
University of Alberta	Immediate	14-Apr-2004	14-Apr-2009	$ 0.80	85,000	85,000	85,000	2009
					135,000	135,000	135,000	

B. Plan of Distribution

Not Applicable.

C. Markets

Our Common Shares are listed for quotation on the Toronto Stock Exchange under “VIR” and “REX” on the American Stock Exchange.

D. Selling Shareholders

Not Applicable.

E. Dilution

Not Applicable.

F. Expenses of the issue

Not Applicable.

Item 10. Additional Information

A. Share capital

ViRexx is authorized to issue an unlimited number of common shares (“ViRexx Shares”) of which 69,542,535 ViRexx Shares are issued and outstanding as fully paid and non-assessable as at March 31, 2006.

Common Shares

The holders of the ViRexx Shares are entitled to dividends if, as and when declared by the Board of Directors, to one vote per ViRexx Share at meetings of the shareholders, and upon liquidation, dissolution or winding up of ViRexx are entitled to receive such assets of ViRexx as are distributable to the holders of the ViRexx Shares. All of the ViRexx Shares outstanding as of the date hereof are fully paid up and non-assessable.

Options and Warrants

ViRexx currently has outstanding stock options and common share purchase warrants to purchase common shares as outlined in Item 18, Note 11 of our audited financial statements.

Share Sales

The share issuance history during the past three years is contained in Note 11 of the audited Financial Statements of ViRexx.

History of Share Capital

On February 15, 2006, the Corporation completed a private placement through its agent, Life Sciences Investment Inc., of 10,909,090 units, each unit is comprised of one common share (“Common Share”) and one common share purchase warrant (“Warrant”), for gross aggregate proceeds of CDN $12,000,000 ($1.10 per unit). Each Warrant entitles the holder to purchase one Common Share at a price of $1.50 until February 15, 2008.

On April 14, 2004, ViRexx completed an offering to the public, through its agent Canaccord Capital Corporation (“Canaccord”), of 10,000,000 units, each consisting of one ViRexx Share and one half warrant (“ViRexx Public Offering Warrant”), for gross aggregate proceeds of CDN $8,000,000 ($0.80 per unit) and the exercise of an over allotment option to purchase a further 1,000,000 units, each consisting of one ViRexx Share and one half ViRexx Public Offering Warrant, for further gross aggregate proceeds of CDN $800,000 ($0.80 per unit) by Canaccord. Each full ViRexx Public Offering Warrant constitutes a non-transferable ViRexx Share purchase warrant entitling the holder thereof to purchase one ViRexx Share at a price of $1.00 until October 14, 2005. In December 2004 the Arrangement was completed which resulted in the issuance of 26,257,759 ViRexx Common Shares for all issued and outstanding shares of AltaRex shares. The following sets out information with respect to issuances of Common Shares by ViRexx which have changed the amount of capital.

Former ViRexx

In the 12 months preceding the effective date of the ViRexx Amalgamation, 1,032,648 Former ViRexx Research Shares were issued as follows:

Date of Issue	Number of Shares Issued	Price per Share	Gross Proceeds	Manner of Issuance
March 27, 2003	48,000	$ 0.65	$ 31,200	Share Subscription
April 8, 2003	300,000	$ 0.001	$ 300	Employee Options
August 6, 2003[1]	521,233	$ 0.369/$0.422	$ 192,333	Debenture Conversion

December 22, 2003[(2)]	163,415	$ 0.422	$ 68,944	Debenture Conversion

Notes:

(1) On August 6, 2003, Dr. Antoine Noujaim converted his $175,000 principal amount of indebtedness plus accrued interest of $17,333 (for an aggregate of $192,333) into 521,233 ViRexx Shares on the following conversion basis. The principal amount of $175,000 was converted at $0.369 per ViRexx Share for a total of 480,160 ViRexx Shares and accrued interest of $17,333 was converted at $0.422 per ViRexx Share for a total of 41,073 ViRexx Shares.

(2) (See “Consolidated Loan and Share Capital”).

The ViRexx Amalgamation

On the effective date of the ViRexx Amalgamation, December 23, 2003, 4,455,000 Norac A Shares and 2,500,000 Norac B Shares were outstanding. As a result of the ViRexx Amalgamation, the outstanding Norac A Shares were converted into ViRexx Shares on the basis of 0.2244667 ViRexx Shares for each Norac A Share and 0.0000004 ViRexx Shares for each Norac B Share. A total of 1,000,000 ViRexx Shares were issued on conversion of Norac A Shares and Norac B Shares.

On the effective date of the ViRexx Amalgamation, December 23, 2003, 17,778,725 ViRexx Research Shares were outstanding. As a result of the ViRexx Amalgamation, the outstanding Former ViRexx Shares were converted into ViRexx Shares on the basis of 0.5287218 ViRexx Shares for each Former ViRexx Share. A total of 9,400,000 ViRexx Shares were issued on conversion of Former ViRexx Shares.

ViRexx

On the date of the ViRexx Amalgamation, December 23, 2003, ViRexx issued the following securities:

Date of Issue	Number of Shares Issued (1)	Price per Share	Manner of Issuance
December 29, 2003	10,400,000	Deemed $0.80	From treasury
December 31, 2003	200,000	Deemed $0.80	From treasury as corporate finance fee to the Agent

Notes:
(1) 5,000,000 ViRexx Private Placement Special Warrants were issued pursuant to the ViRexx Private Placement issuable as ViRexx Private Placement Units of one ViRexx Share and one ViRexx Private Placement Warrant.

On the date of the ViRexx Public Offering, April 14, 2004, ViRexx issued the following securities:

Date of Issue	Number of Shares Issued (1)	Price per Share	Manner of Issuance
April 14, 2004	11,000,000	$ 0.80	From treasury
April 14, 2004	400,000	$ 0.80	From treasury as corporate finance fee to the Agent

Notes:
(1) 10,000,000 Units were also issued pursuant to the ViRexx Public Offering, 10,000,000 of such units consisting of one ViRexx Share and one half ViRexx Public Offering Warrant, 1,000,000 of such units (the Agent's over-allotment option) consisting of one ViRexx Share and one half ViRexx Public Offering Warrant.

On the date of the ViRexx Public Offering, February 15, 2006, ViRexx issued the following securities:

Date of Issue	Number of Shares Issued (1)	Price per Share	Manner of Issuance
February 15, 2006	10,909,090	$ 1.10	From treasury
February 15, 2006	1,090,900	$ 1.10	

							From treasury as corporate finance fee to the Agent

Notes:
(1) On February 15, 2006, ViRexx closed a private placement of 10,909,090 units for $12,000,000. Each unit consists of one common share and one common share purchase warrant. In addition 1,090,900 warrants were allotted to the agent, in consideration for the agent's services, resulting in 11,999,990 warrants connected with this financing remaining outstanding.

B. Memorandum and articles of association

Our Certificate of Incorporation, together with all amendments, which we refer to as our articles of incorporation, are on file with the Alberta Registrar of Corporations under Alberta Corporate Access Number 2010829345. Our articles of incorporation do not include a stated purpose and contain no restrictions on the nature of business to be carried on. Under the ABCA, in the absence of any such restrictions, a corporation has the capacity, rights, powers and privileges of a natural person, and has the capacity to carry on business, conduct its affairs and exercise its power in any jurisdiction outside Alberta to the extent that the laws of that jurisdiction permit. For additional information regarding our incorporation, see *Item 4 - Information on the Corporation - History and Development of the Corporation.*

A director of ViRexx need not be a shareholder. In accordance with the ABCA, at least one quarter of our directors must be residents of Canada. The ABCA requires that a person must be at least 18 years of age, be of sound mind and not be bankrupt or a dependent adult or formal patient under the *Dependent Adults Act* or *Mental Health Act,* or the subject of an order under *The Mentally Incapacitated Persons Act* in order to serve as a director. Neither our articles of incorporation or by-laws, nor the ABCA, impose any mandatory retirement requirements for directors.

A majority of the number of directors holding office at the time of the meeting will constitute a quorum, provided that at least half of the directors present are resident Canadians. Business cannot be transacted at a directors' meeting without quorum.

A director who is a party to, or who is a director or officer of or has a material interest in any person who is a party to, a material contract or transaction or proposed material contract or transaction with us shall disclose to us the nature and extent of his interest at the time and in the manner provided by the ABCA. The ABCA prohibits such a director from voting on any resolution to approve the contract or transaction unless the contract or transaction:

- is an arrangement by way of security for money lent to or obligations undertaken by the director for the benefit of ViRexx or an affiliate;
- relates primarily to his or her remuneration as a director, officer, employee or agent of ViRexx or an affiliate;
- is for indemnity or insurance; or
- is with an affiliate.

ViRexx's Board of Directors may, on behalf of ViRexx and without authorization of our shareholders:

- borrow money upon the credit of ViRexx;
- issue, reissue, sell or pledge debt obligations of ViRexx;
- subject to certain disclosure requirements of the ABCA, give a guarantee on behalf of ViRexx to secure performance of an obligation of any person;
- mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of ViRexx owned or subsequently acquired to secure any obligation of the ViRexx; and

- the directors by resolution may delegate to a director, a committee of directors or an officer any of these powers.

Our articles of incorporation permit the Board of Directors of ViRexx to appoint one or more additional directors of ViRexx to serve until the next annual meeting of shareholders, provided that the number of additional directors does not at any time, exceed one-third of the number of directors who held office at the expiration of the last annual meeting of shareholders of ViRexx.

Rights and preferences of Capital Stock of ViRexx

Not applicable

Changing to the Rights of Shareholders

We are required to amend our articles of incorporation to effect any change to the rights of our shareholders. Such an amendment would require the approval of holders of two-thirds of the shares cast at a duly called special meeting. If we wish to amend the rights of holders of a specific class of shares, such approval would also be required from the holders of that class. A shareholder is entitled to dissent in respect of such a resolution and, if the resolution is adopted and ViRexx implements such changes, demand payment of the fair value of its shares.

Meetings of Shareholders

Our by-laws state that the annual meeting of shareholders shall be held on such date and at such time in each year as the Board, or the chairman of the Board, or the president in the absence of the chairman of the Board, may from time to time determine. In addition, the Board has the authority to call a special meeting of shareholders at any time. An annual meeting of shareholders is held each year, not later than fifteen months after the last preceding annual meeting, for the purpose of considering the financial statements and reports, electing directors, appointing auditors and for the transaction of other business as may be brought before the meeting. Notice of time and place of each meeting of shareholders must be given not less than 21 days, nor more than 50 days, before the date of each meeting to each director, to the auditor and to each shareholder who at the close of the business on the record date for notice is entered in the securities register as the holder of one or more shares carrying the right to vote at the meeting. Notice of meeting of shareholders called for any other purpose other than consideration of the minutes of an earlier meeting, financial statements and auditor’s report, election of directors and reappointment of the incumbent auditor, must state the nature of the business in sufficient detail to permit the shareholder to form a reasoned judgement and must state the text of any special resolution to be submitted to the meeting.

The only persons entitled to be present at a meeting of shareholders are those entitled to vote, the directors of ViRexx and the auditor of ViRexx. Any other person may be admitted only on the invitation of the chairman of the meeting or with the consent of the meeting. If a corporation is winding-up, the ABCA permits a liquidator appointed by the shareholders, during the continuance of a voluntary winding-up, to call and attend meetings of the shareholders. In circumstances where a court orders a meeting of shareholders, the court may direct how the meeting may be held, including the parties entitled, or required, to attend the meeting.

Our articles of incorporation states that meetings of our shareholders may be held in the cities of Vancouver and Victoria, British Columbia, Winnipeg, Manitoba, Ottawa and Toronto, Ontario, Montreal, Quebec, Halifax, Nova Scotia and anywhere in the Province of Alberta.

Limitations on Right to Own Securities

There is no limitation imposed by Canadian law or by our articles or other charter documents on the right of a non-resident to hold or vote common shares or preference shares with voting rights (the "Voting Shares"), other than as provided in the *Investment Canada Act* ("ICA"). The ICA requires a non-Canadian making an investment which would result in the acquisition of control of a Canadian business (i.e. the gross value of the assets of which exceed a certain monetary threshold) to identify, notify or file an application for review with the Investment Review Division of Industry Canada ("IRD").

The notification procedure involves a brief statement of information about the investment on a prescribed form which is required to be filed with the IRD by the investor at any time up to 30 days following implementation of the investment. It is intended that investments requiring only notification will proceed without government intervention unless the investment is in a specific type of business activity related to Canada's cultural heritage and national identity.

If an investment is reviewable under the ICA, an application for review in the form prescribed is normally required to be filed with the IRD prior to the investment taking place and the investment may not be implemented until the review has been completed and the Minister of Industry ("Minister") (the Minister responsible for Investment Canada) is satisfied that the investment is likely to be of net benefit to Canada. The Minister has up to 75 days to make this determination. If the Minister is not satisfied that the investment is likely to be of net benefit to Canada, the non-Canadian must not implement, may be required to divest himself of control of the business that is the subject of the investment.

In 1999, some of the powers, duties and functions of the Minister were transferred to the Minister of Canadian Heritage under Parts II to VI of the ICA as they relate to the prescribed business activities enumerated under paragraph 15(a) of the ICA, namely those that relate to Canada's "cultural heritage or national identity" (Cultural Activities") Cultural Activities include, among other things, the distribution or sale of books, magazines, film and video recordings and music recordings. As a result, an application for review must be submitted to the Cultural Sector Review Division of the Department of Canadian Heritage ("CSRD") in respect of the acquisition of control of a Canadian business engaged in a Cultural Activity that exceeds the prescribed lower monetary threshold applicable to the acquisition of such Canadian businesses.

The Minister of Canadian Heritage's review, similar to the Minister's review, is based on the statutory threshold of net benefit to Canada. CSRD is guided by certain policy statements regarding investments by non-Canadians in Canadian businesses engaged in certain Cultural Activities. CSRD's policy statements address certain Cultural Activities at the production/publication, distribution and/or exhibition levels.

The following investments by non-Canadians are subject to notification under the ICA:

1. An investment to establish a new Canadian business; and

2. An investment to acquire control of a Canadian business that is not reviewable pursuant to the Act.

The following investments by a non-Canadian are subject to review under the ICA:

1. An investment is reviewable if there is an acquisition of a Canadian business and the asset value of the Canadian business being acquired equals or exceeds the following thresholds:

(a) For non-World Trade Organization ("WTO") investors, the threshold is $5 million for a direct acquisition and $50 million for an indirect acquisition; the $5 million threshold will apply however for an indirect acquisition if the asset value of the Canadian business being acquired exceeds 50% of the asset value of the global transaction;

(b) Except as specified in paragraph (c) below, a threshold is calculated annually for reviewable direct acquisitions by or from WTO investors. The threshold for 2003 was $223 million. Pursuant to Canada's international commitments, indirect acquisitions by or from WTO investors are not reviewable;

(c) The limits set out in paragraph (a) apply to all investors for acquisitions of a Canadian business that:

(i) engages in the production of uranium and owns an interest in a producing uranium property in Canada;

(ii) provides any financial service;

(iii) provides any transportation services; or

(iv) is a cultural business.

2. Notwithstanding the above, any investment which is usually only notifiable, including the establishment of a new Canadian business, and which falls within a specific business activity, including the publication and distribution of books, magazines, newspapers, film or video recordings, audio or video music recordings, or music in print or machine-readable form may be reviewed if an Order-in-Council directing a review is made and a notice is sent to the Investor within 21 days following the receipt of a certified complete notification.

Generally speaking, an acquisition is direct if it involves the acquisition of control of the Canadian business or of its direct or indirect Canadian parent and an acquisition is indirect if it involves the acquisition of control of a non-Canadian direct or indirect parent of an entity carrying on the Canadian business. No change of voting control will be deemed to have occurred if less than one-third of the voting control of a Canadian corporation is acquired by an investor.

A WTO investor, as defined in the ICA, includes an individual who is a national of a member country of the WTO or who has the right of permanent residence in relation that WTO member, a government or government agency of a WTO investor-controlled corporation, a limited partnership, trust or joint venture that is neither WTO-investor controlled or Canadian controlled of which two-thirds of its board of directors, general partners or trustees, as the case may be, are any combination of Canadians and WTO investors.

The higher thresholds for WTO investors do not apply if the Canadian business engages in activities in certain sectors such as uranium, financial services (except insurance), transportation services or cultural business.

The ICA exempts certain transactions from the notification and review provisions of ICA, including, among others, (a) an acquisition of Voting Shares if the acquisition was made in the ordinary course of that persons' business as a trader or dealer in securities; (b) an acquisition of control of the company in connection with the realization of a security interest granted for a loan or other financial assistance and not for any purpose related to the provisions of the ICA; (c) the acquisition of voting interests by any person in the ordinary course of a business carried on by that person that consists of providing, in Canada, venture capital on terms and conditions not inconsistent with such terms and conditions as may be fixed by the Minister; and (d) acquisition of control of the company by reason of an amalgamation, merger, consolidation or corporate reorganization, following which the ultimate direct or indirect control in fact of ViRexx, through the ownership of voting interests, remains unchanged.

Change of Control

Our articles of incorporation and by-laws do not contain any specific provision that has the effect of delaying, deferring or preventing a change of control of ViRexx.

Disclosure of Ownership

Our by-laws do not contain provisions regarding public disclosure of share ownership. Applicable Canadian securities legislation requires certain public disclosure of the shareholdings of those persons who are insiders of ViRexx. Insiders include directors and senior officers as well as those persons who own common shares that exceed 10 percent of our company's total issued and outstanding common shares.

With respect to the foregoing in this Item 10B, the applicable corporate law in the United States differs significantly in some respects from that in Canada. For example, under applicable corporate law in the United States, a company may not issue an unlimited number of shares. Additionally, a corporation may not be formed for certain purposes, such as insurance or commercial banking, unless certain approvals are received.

C. Material contracts

All Agreements described below relating to the Plan of Arrangement between Nova Bancorp and AltaRex and the Plan of Arrangement between ViRexx and AltaRex have been carried out and the purpose of these agreements achieved. All of the United Therapeutics agreements including the debenture (item 3) and Security Agreement (item 4) and the Convertible Note (item 8) have been discharged through repayment and/or conversion of the debt secured thereunder to common shares of ViRexx. See page 11.

1. Exclusive License Agreement Between Unither Pharmaceuticals, Inc. and AltaRex Corp. ("AltaRex") dated April 17, 2002.

On April 17, 2002, AltaRex Corp. entered into an Exclusive License Agreement with Unither Pharmaceuticals, Inc ("UP"), a subsidiary of United, for the development of five monoclonal antibodies (OvaRex, BrevaRex, ProstaRex, AR54, and GivaRex) that activate the immune system to treat cancer. Under the terms of the Exclusive License Agreement, AltaRex granted to United, through UP, an exclusive, non-transferable (except in limited circumstances) royalty bearing license throughout the world, including Germany, (but excluding the other member nations of the European Union as of April 17, 2002 and other specified jurisdictions). The license granted UP the right to use AltaRex's intellectual property with respect to the five antibodies (the "Licensed Technology").

United has agreed to use commercially reasonable efforts to develop, market and commercialize such products in the licensed territory utilizing the Licensed Technology as United determines are commercially feasible, including the conduct of related research, development and pre-clinical and clinical trials and obtaining all necessary regulatory approvals. United is solely responsible for the development of the Licensed Technology, including the commercialization of the five antibodies in the licensed territory. In particular, United has agreed to pay AltaRex certain amounts based upon the achievement of specified milestones together with royalties based upon sales of products utilizing or incorporating the Licensed Technology sold in the licensed territory. AltaRex granted United a right of first refusal to any other technology developed by AltaRex Corp. for application in the field of cancer.

2. First Amendment to the License Agreement between Unither Pharmaceuticals, Inc. and AltaRex Corp. dated August 6, 2003

This Agreement amended the Exclusive License Agreement.

This Agreement provided for a payment to AltaRex in the amount of $250,000 (USD) and clarified the territory of the license granted under the Exclusive License Agreement. It also amended the development milestone provisions which resulted in a postponement of a milestone payment to AltaRex of $600,000 (USD) from the date of commencement of the first pivotal Phase 3 enrollment for OvaRex to the completion of the BLA filing in the USA.

3. Subscription and Debenture Purchase Agreement between United Therapeutics Corporation and AltaRex Corp. dated April 17, 2002 (“United Subscription Agreement”).

In connection with the Exclusive License Agreement, AltaRex and United entered into the above noted United Subscription Agreement whereby United purchased a unit consisting of 4.9 million common shares of AltaRex at a price of $0.50 (USD) per share and a warrant, to purchase an additional 3.25 million common shares of AltaRex at a price of $0.50 (USD) per share for a total purchase price of $2.45 million (USD). The warrant was subsequently exercised by United for a purchase price of $1.625 million (USD). In addition, pursuant to the United Subscription Agreement, United purchased a convertible debenture from AltaRex for approximately $50,000 (USD) that was automatically converted by United into 100,000 common shares of AltaRex on August 21, 2002 in accordance with the terms of this agreement. The United Subscription Agreement also provided United with a right to purchase a second convertible debenture from AltaRex in the principal amount of $875,000 (USD), which would provide for a right to convert such debenture in exchange for 883,380 AltaRex common shares issued at a price of $0.50 (USD) per share, which rights were subsequently exercised by United.

4. Registration Rights Agreement Between United Therapeutics Corporation and AltaRex Corp., April 17, 2002 (“United Registration Rights Agreement”)

In connection with and collateral to the United Subscription Agreement, AltaRex and United entered into the above United Registration Rights Agreement which provided United with rights, under certain circumstances, to require AltaRex to qualify AltaRex common shares acquired by United pursuant to the United Subscription Agreement, for distribution according to Canadian securities laws.

5. Security Agreement between United Therapeutics Corporation and AltaRex Corp. dated April 17, 2002 (“United Security Agreement”)

In connection with and collateral to the United Subscription Agreement, AltaRex and United entered into the above United Security Agreement which provided United with a security interest in all of AltaRex’s present and after acquired intellectual property as security for due payment by AltaRex and the performance of AltaRex’s obligations under the convertible debentures granted or to be granted pursuant to the United Subscription Agreement.

6. Arrangement Agreement Among Nova Bancorp Investments Ltd. ("Nova Bancorp") and AltaRex Corp. ("AltaRex") and Altarex Medical Corp. ("Medical") dated December 23, 2003 ("Nova Bancorp Arrangement Agreement")

On December 23, 2003 AltaRex, Medical and Nova Bancorp entered into the above noted Nova Bancorp Arrangement Agreement, which was intended to carry out a recapitalization of AltaRex and a reorganization of the assets and business of AltaRex. The Nova Bancorp Arrangement Agreement was made in contemplation of completing a statutory plan of arrangement (the "Nova Bancorp Arrangement") involving AltaRex, Medical, and Nova Bancorp. Pursuant to the arrangement, AltaRex was transformed into an oil and gas exploration, development and marketing company named Twin Butte Energy Ltd. ("Twin Butte") with the occurrence, among other things, of the following:

- the transfer of AltaRex's biotechnology assets, together with all associated contractual obligations and liabilities, to Medical, with Medical continuing to pursue the same commercialization strategy that AltaRex previously had for OvaRex and all other products currently in development;

- Nova Bancorp subscribed for $4,770,985 (CDN) principal amount of 10% convertible demand notes of Twin Butte (formerly AltaRex), convertible into non-voting shares of Twin Butte at a ratio of 2,583 non-voting shares per $1,000 (CDN) of principal;

- Twin Butte (formerly AltaRex) subscribed for 12,746,935 common shares in Medical for $5.045 million (CDN) in cash less a holdback of $50,000 (CDN);

- the outstanding stock options and warrants of Twin Butte (formerly AltaRex) were cancelled and terminated and cease to represent any right or claim whatsoever, and new Medical options and warrants were issued in their place on identical terms;

- immediately following the completion of the Nova Bancorp Arrangement, a private placement by Nova Bancorp of $1,379,015 (CDN) in consideration for 3,500,000 Twin Butte new common shares was completed representing 40% of the voting shares of Twin Butte; and

- each 10 common shares of Twin Butte (formerly AltaRex) outstanding at the close of business on February 2, 2004 were deemed to be exchanged for one "new" voting common share of Twin Butte and 10 voting common shares of Medical with the following two exceptions:

    1. AltaRex shareholders who held 151 to 1,000 common shares received an aggregate payment equal to $0.05 (CDN) per common share held and also received one Medical share for each common share held; and

2. AltaRex shareholders who held 150 common shares or less, received an aggregate cash payment equal to $0.55 (CDN) per share.

The transactions contemplated by the Nova Bancorp Arrangement Agreement were completed on February 3, 2004.

7. Summary of Asset Purchase Agreement Between AltaRex Corp. ("AltaRex") and AltaRex Medical Corp. ("Medical") Dated December 31, 2003

In connection with and as collateral to the Nova Bancorp Arrangement, AltaRex (now Twin Butte Energy Ltd. ("Twin Butte")) and Medical entered into an asset purchase agreement dated as of December 31, 2003 (the "Asset Purchase Agreement"). The Asset Purchase Agreement provides for the transfer from AltaRex to Medical of AltaRex's biotechnology assets, together with all associated contractual obligations and liabilities.

8. Indemnification Agreement Between AltaRex Corp. ("AltaRex") and AltaRex Medical Corp. ("Medical") dated February 3, 2004 ("Indemnification Agreement")

In connection with and as collateral to the Nova Bancorp Arrangement, AltaRex (now Twin Butte Energy Ltd. ("Twin Butte")) and Medical entered into the Indemnification Agreement and an asset purchase agreement dated as of December 31, 2003 (the "Asset Purchase Agreement"). The Indemnification Agreement provides that the assets acquired by Medical pursuant to the Asset Purchase Agreement where acquired on an "as is where is" basis and subject to any and all encumbrances, commitments and liabilities pertaining thereto howsoever and whensoever arising.

The Indemnification Agreement provides that Medical will assume all liability for and indemnify, defend and save harmless Twin Butte arising out of any matter or thing relating to the assets previously owned by Twin Butte and transferred to Medical save and except losses related to certain income tax liabilities. Further, pursuant to the Indemnification Agreement Medical is appointed by Twin Butte as Twin Butte's sole and exclusive attorney and agent, for any and all purposes associated with any actions, causes of action, suits, debts, dues, sums of money, liabilities, general damages, special damages, costs, claims, proceedings and demands of every nature and kind to which Twin Butte may be entitled to be indemnified under the terms of the Indemnification Agreement.

9. Convertible Note Payable with a prescribed interest rates of 6% granted in favour of United Therapeutics Corporation ("United") by AltaRex Medical Corp. ("Medical") dated February 3, 2004.

In connection with and as collateral to the Nova Bancorp Arrangement, Medical issued the above noted United Convertible Note being a convertible note payable to United being a 6% convertible fixed term note in the principal amount of $433,310 (USD) convertible into common shares of Medical at a price of $0.50 (USD) per share. The United Convertible Note was issued by Medical upon the closing of the above noted Nova Bancorp Arrangement to replace the second convertible debenture from AltaRex in the principal amount of $875,000 (USD) issued pursuant United Subscription Agreement, which debenture was cancelled by a court order dated February 3, 2004 made in connection with the Nova Bancorp Arrangement. The conversion privileges of the United Convertible Note were modified by a court order dated December 9, 2004 made in connection with the AltaRex Arrangement described below such that the note would be convertible into common shares of ViRexx at a price of $1.00 (USD) per share. United subsequently converted the full outstanding amount under the United Convertible Note into common shares of ViRexx.

All obligations of Medical under this note have been met.

10. Summary Arrangement Agreement Between ViRexx Medical Corp. (“ViRexx”) And AltaRex Medical Corp. (“AltaRex”) dated October 15, 2004 (“AltaRex Arrangement Agreement”)

On October 15, 2004 ViRexx and AltaRex entered into the above noted AltaRex Arrangement Agreement, which was intended to effect a consolidation of ViRexx and AltaRex. The AltaRex Arrangement Agreement was made in contemplation of completing a statutory plan of arrangement (the “AltaRex Arrangement”) involving AltaRex and ViRexx. Pursuant to the arrangement, AltaRex became a wholly owned subsidiary of ViRexx with the occurrence, among other things, of the following:

- Each of the issued and outstanding common shares of AltaRex were deemed to be, transferred to ViRexx (free of any claims) and the holder of AltaRex common shares received from ViRexx in exchange for each AltaRex common share one-half of one ViRexx common share;

- 40% of the ViRexx common shares received by each former holder of AltaRex common shares issued pursuant to the AltaRex Arrangement were non-transferable and subject to a hold period for a period of six months following the effective date of the AltaRex Arrangement; and

- the outstanding stock options and warrants of AltaRex were deemed to be transferred to ViRexx (free of any claims) and in consideration for such transfer, the holder of such AltaRex stock options and warrants received an stock options and warrants to purchase the number of ViRexx common shares determined by multiplying the number of AltaRex common shares subject to the particular AltaRex stock options and warrants by one-half, at an exercise price per ViRexx common share equal to the exercise price per share of the particular AltaRex stock option or warrant multiplied by two. The other terms of all stock options and warrants issued by ViRexx in exchange for AltaRex stock options and warrants were identical in all material respects to the terms of the AltaRex stock options and warrants in respect of which they were issued.

The transactions contemplated by the AltaRex Arrangement Agreement were completed on December 10, 2004.

11. Collaborative Development Agreement between Protein Sciences Corporation (“PSC”) and ViRexx Medical Corp. (“ViRexx”) dated effective April 20, 2005

Effective April 20, 2005, PSC and ViRexx entered into the above noted agreement to commence work aimed at developing a scalable purification and manufacturing process and pilot production of recombinant fusion proteins comprised of certain surface antigens from hepatitis “B” developed by ViRexx (“CS12”). ViRexx intends to use the CS12 in the course of a Phase I Clinical trial of its hepatitis “B” Chimigen technology program. Generally, ViRexx shall make payments to PSC upon completion of specific milestones or phases described in the agreement with the cost of phase 1 (Process Development) being $200,000 (USD) which included an up-front payment of $65,000 (USD) is to be paid upon signing the agreement and the cost of phase 2 (Production) being $110,000 (USD).

At the conclusion of the project provided for under the agreement, ViRexx may elect to proceed with manufacturing the product developed pursuant to the agreement (the “Product”) with PSC custom manufacturing such Product or with a third party manufacturer.

If ViRexx elects to use a third party manufacturer in relation to producing the Product, ViRexx will have an obligation to pay a completion fee of $75,000 (USD) in relation to PCS training the third party in relation to the production of the Product as well as annual maintenance fees of between $50,000 (USD) and $75,000 (USD) in the event the third party manufacturer needs to employ certain patented processes of PCS in producing the Product. Further, ViRexx will have an obligation to pay an annual royalty of 1% of net sales revenue realized in commercializing the Product to the extent PCS technology is used in commercializing the Product.

12. License Agreement dated December 13, 2001 between The Governors of the University of Alberta and ViRexx Medical Corp.

On December 13, 2001, ViRexx entered into an agreement with The Governors of the University of Alberta, under which ViRexx acquired worldwide rights to certain cloned and purified antigens, certain antibody clones, and the duck animal model for hepatitis B. A milestone payment is payable in the amount of $250,000 to the University of I-22 Alberta for each product resulting from the use of or incorporating the technology. The University of Alberta will receive a 1% royalty on worldwide net sales from products derived from these antigens or antibodies. Under this agreement, the University of Alberta is entitled to certain stock options. The University of Alberta was granted an option to acquire equity in the capital of ViRexx equal to 5% of "available options", which is defined to mean 10% of the issued share capital of ViRexx immediately following the first round of financing plus 10% of the additional share capital of ViRexx issued through subsequent financings during a period ending on the third anniversary of the license agreement. The terms of the options will be five years and the exercise price will be the strike price per share of each round of financing.

13. University of Alberta Agreement entered into on November 15, 1998 among the University of Alberta, Noustar Technologies Inc. and Somagen Diagnostics Inc.

Pursuant to a contract research agreement entered into on November 15, 1998 among the University of Alberta, Noustar Technologies Inc. and Somagen Diagnostics Inc. to conduct the original proof of principle studies on the TACT ® technology, and in consideration of favourable costing of future studies and other valuable consideration, the University of Alberta will receive a 1% royalty on any net sales realized from products derived from the technology developed or proved under the agreement. This contract research agreement was assigned to Novolytic Inc., a predecessor of ViRexx, on September 10, 1999.

14. University of Alberta Th1 Response Agreement entered into on May 1, 2002 between ViRexx and The Governors of the University of Alberta

On May 1, 2002, the ViRexx entered into an agreement with the Governors of the University of Alberta, under which ViRexx acquired an exclusive world-wide license encompassed by a patent issued January 2, 2001 and patent applications filed June 7, 1995 and September 22, 2000, related to "Methods of Eliciting a Th1 Specific Immune Response". Under this agreement certain milestones are payable to the University of Alberta at various stages of the clinical trial process. In addition, the University of Alberta is entitled to a 1% royalty on net sales arising from products protected by these patents. The University is also entitled to a percentage of sublicense revenues.

15. Thrombotics Exclusion Agreement entered into on November 1, 1999 between ViRexx and Thrombotics Inc.

On November 1, 1999, ViRexx entered into an agreement with Thrombotics Inc., a company controlled by shareholders and/or directors of ViRexx Medical Corp., under which ViRexx acquired rights to technologies encompassed by patent applications filed November 12, 1998, related to "Compositions and Methods for Inducing Vascular Occlusion". In so doing, for the consideration of $1, ViRexx became bound by agreements assigning a 1% royalty payable to the University of Alberta.

16. Technology Commercialization Agreement made as of the 1st day of January, 2004 between Alberta Heritage Foundation of Medical Research and ViRexx Medical Corp.

On January 1, 2004, ViRexx entered into an agreement with the Alberta Heritage Foundation for Medical Research ("AHFMR"), a corporation established pursuant to the Alberta Heritage Foundation for Medical Research Act, R.S.A. 2000, Chapter A-21, wherein ViRexx received $500,000 to support clinical development of ViRexx's Occlusin® 50 Injection product candidate. Under this agreement AHFMR is entitled 5% of gross sales (to an annual maximum of $100,000). The royalties paid by ViRexx to AHFMR shall not exceed two times the amount of funding actually advanced by AHFMR.

D. Exchange controls

We are aware of no governmental laws, decrees or regulations, including foreign exchange controls, in Canada which restrict the export or import of capital or that affect the remittance of dividends, interest or other payments to non-resident holders of our securities. Any such remittances to United States residents, however, are subject to a withholding tax. Withholding tax is paid pursuant to the *Income Tax Act of Canada* but the rate is resolved pursuant to *The Canada - US Income Tax Convention* (1980), as amended.

We know of no limitations under the laws of Canada, the Province of Alberta, or in the charter or any other constituent documents of ViRexx imposed on the right of foreigners to hold or vote the shares of ViRexx.

Except as provided in the ICA, we know of no limitations under the laws of Canada, the Province of Alberta, or in the charter or any other constituent documents of ViRexx imposed on the right of foreigners to hold or vote the shares of ViRexx. See *Item 10 - Additional Information - Limitations on Rights to Own Securities.*

E. Taxation

Canadian Tax Considerations

The following is a general summary of the principal Canadian federal income tax considerations generally applicable to an investor who acquires Common Shares and who, for the purposes of the *Income Tax Act* (Canada), as amended (the "Tax Act") and any applicable income tax treaty or convention, at all relevant times (i) is not a resident or deemed to be a resident in Canada; (ii) deals at arm's length and is not affiliated with ViRexx; (iii) is not a foreign affiliate of a taxpayer resident in Canada; (iv) holds Common Shares as capital property; and (v) does not use or hold and is not deemed to use or hold such Common Shares in the course of carrying on a business in Canada (such an investor referred to herein as a "non-Canadian investor"). In general, a non-Canadian investor will be considered to hold Common Shares as capital property unless the investor is a trader or dealer in securities or otherwise holds them in the course of carrying on a business of buying or selling securities or has acquired them in a transaction considered to be an adventure in the nature of trade. This summary does not apply to non-Canadian investors (or other investors) who are insurers or who are "financial institutions" within the meaning of the "mark-to-market" rules contained in the Tax Act.

This summary is based on the current provisions of the Tax Act and the regulations thereunder (the "Regulations"), all specific proposals to amend the Tax Act and the Regulations publicly announced by the Minister of Finance (Canada) prior to the date hereof and on ViRexx's understanding of the current published administrative practices of the Canada Revenue Agency (the "CRA"). This summary does not take into account or anticipate any change in law, whether by legislative, governmental or judicial action or changes in the administrative practices or assessing policies of the CRA.

This summary is of a general nature only and is not intended to be, and should not be construed to be, legal or tax advice to any investor and no representation with respect to the tax consequences to any particular investor is made. This summary does not address any aspect of any provincial, state or local tax laws or the laws of any jurisdiction other than Canada. Accordingly, investors should consult with their own tax advisors for advice with respect to the income tax consequences to them having regard to their own particular circumstances.

A non-Canadian investor will be subject to a 25% withholding tax under the Tax Act on the gross amount paid or credited or deemed to be paid or credited as, on account or in lieu of payment of, or in satisfaction of dividends to him on a Common Share. The rate of withholding tax may be reduced under the provisions of a relevant international tax treaty to which Canada is a party. For example, pursuant to the *Canada-United States Income Tax Convention* (1980), as amended (the "Treaty"), the rate of withholding tax on dividends paid or credited or deemed to be paid or credited on a Common Share beneficially owned by a resident of the United States for the purposes of the Treaty will generally be reduced to 15%. However, where such beneficial owner is a company resident in the United States which owns at least 10% of the voting stock of ViRexx, the rate of such withholding is reduced to 5%.

The Common Shares constitute "taxable Canadian property" under the Tax Act. A disposition or deemed disposition of a Common Share by a non-Canadian investor will give rise to a capital gain (or capital loss). Any capital gain realized as a result of such disposition or deemed disposition will be subject to Canadian tax. However, under the Treaty, such gains will generally be exempt from Canadian tax where the non-Canadian investor disposing of such Common Shares is a resident of the United States for the purposes of the Treaty.

US Tax Considerations

Material United States Federal Income Tax Consequences

The following is a general discussion of material United States federal income tax consequences, under current law, generally applicable to a US Holder (as defined below) of our common shares. This discussion does not address all potentially relevant federal income tax matters and it does not address consequences peculiar to persons subject to special provisions of federal income tax law, such as those described below as excluded from the definition of a US Holder. In addition, this discussion does not cover any state, local or foreign tax consequences. See "*Certain Canadian Income Tax Consequences*" above.

The following discussion is based upon the *Internal Revenue Code of 1986*, as amended to the date hereof (the "Code"), existing and proposed Treasury Regulations, published Internal Revenue Service ("IRS") rulings, published administrative positions of the IRS and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possibly on a retroactive basis, at any time. This discussion does not consider the potential effects, both adverse and beneficial, of any recently proposed legislation which, if enacted, could be applied, possibly on a retroactive basis, at any time.

This discussion is of a general nature only and is not exhaustive of all US federal income tax implications, and it is not intended to be, nor should it be construed to be, legal or tax advice to any particular holder or prospective holder of ViRexx's common shares and no opinion or representation with respect to the United States federal income tax consequences to any such holder or prospective holders is made. Accordingly, holders and prospective holders of ViRexx's common shares should consult their own tax advisors about the federal, state, local, and foreign tax consequences of purchasing, owning and disposing of ViRexx's common shares.

US Holders

As used herein, a "US Holder" means a holder of ViRexx's common shares who is a US citizen or individual income tax resident of the United States under US domestic law and the Convention, a corporation created or organized in or under the laws of the United States or of any political subdivision thereof, an estate the income of which is includable in gross income for US federal income tax purposes regardless of its source or a trust if a US court is able to exercise primary supervision over the trust's administration and one or more US persons have authority to control all substantial decisions of such trust. This summary does not address the tax consequences to, and a US Holder does not include, persons subject to special provisions of federal income tax law, including but not limited to tax-exempt organizations, qualified retirement plans, individual retirement accounts and other tax-deferred accounts, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, broker-dealers, non-resident alien individuals, persons or entities that have a "functional currency" other than the US dollar, shareholders who hold common stock as part of a "straddle", hedging or a conversion transaction and shareholders who acquired their stock through the exercise of employee stock options or otherwise as compensation for service. This discussion is limited to US Holders who hold the common shares as capital assets and who hold the common shares directly (e.g., not through an intermediate entity such as a corporation, partnership, LLC or trust). This discussion does not address the consequences to a person or entity holding an interest in a US Holder or the consequence to a person of the ownership, exercise or disposition of any warrants, options or other rights to acquire common shares.

Distributions on Common Shares

US Holders receiving dividend distributions with respect to ViRexx's common shares are required to include in gross income for United States federal income tax purposes the gross amount of such distributions (including any Canadian tax withheld) equal to the US dollar value of each dividend on the date of receipt (based on the exchange rate on such date) to the extent that ViRexx has current or accumulated earnings and profits, without reduction for any Canadian income tax withheld from such distributions. It should be noted that as used in this discussion of US Federal Income Tax Consequences, the term "earnings and profits" refers to ViRexx's earnings and profits as determined under the Code and the term "dividend" refers to corporate distributions taxable as dividends for US federal income tax purposes. Such Canadian tax withheld may be credited, subject to certain limitations, against the US Holder's United States federal income tax liability or, alternatively, may be deducted in computing the US Holder's United States federal taxable income by those who itemize deductions. (See more detailed discussion at "*Foreign Tax Credit*" below.) To the extent that distributions exceed current or accumulated earnings and profits of ViRexx, they will be treated first as a return of capital up to the US Holder's adjusted basis in the common shares and thereafter as gain from the sale or exchange of the common shares. Preferential tax rates for long-term capital gains are applicable to a US Holder which is an individual, estate or trust. There are currently no preferential tax rates for long-term capital gains for a US Holder which is a corporation. Dividends paid on our common shares generally will not be eligible for the dividends received deduction provided to corporations receiving dividends from certain United States corporations.

In the case of foreign currency received as a dividend that is not converted by the recipient into US dollars on the date of the receipt, a US Holder will have a tax basis in the foreign currency equal to its US dollar value on the date of receipt. Generally, any gain or loss recognized upon a subsequent sale or other disposition of the foreign currency, including an exchange for US dollars, will be ordinary income or loss. Under Treasury Regulations, dividends paid on our common shares, if any, generally will not be subject to backup withholding tax (at a 28% rate) if the paying agent is furnished with a duly completed and signed Form W-9 or certain other circumstances apply. Any amounts withheld under the US backup withholding tax rules will be allowed as a refund or a credit against the US Holder's US federal income tax liability, provided the required information is furnished to the IRS.

Foreign Tax Credit

A US Holder who pays (or has withheld from distributions) Canadian income tax with respect to the ownership of our common shares may be entitled, at the option of the US Holder, to either a deduction or a tax credit for such foreign tax paid or withheld. Generally, it will be more advantageous to claim a credit because a credit reduces United States federal income taxes on a dollar-for-dollar basis, while a deduction merely reduces the taxpayer's income subject to tax. This election is made on a year-by-year basis and generally applies to all foreign taxes paid by (or withheld from) the US Holder during that year.

The operation of the foreign tax credit for any particular US Holder will be dependent on his or its particular situation. There are significant and complex limitations which apply to the credit, among which is the general limitation that the credit cannot exceed the proportionate share of the US Holder's United States income tax liability that the US Holder's foreign source income bears to his, her or its worldwide taxable income. In the determination of the application of this limitation, the various items of income and deduction must be classified into foreign and domestic sources. Complex rules govern this classification process. In addition, this limitation is calculated separately with respect to specific classes of income such as "passive income," "high withholding tax interest," "financial services income," "shipping income," and certain other classifications of income. Dividends distributed by us will generally constitute "passive income" or, in the case of certain US Holders, "financial services income" for these purposes.

Disposition of Common Shares

A US Holder will recognize gain or loss upon the sale or other disposition of common shares equal to the difference, if any, between (i) the amount of cash plus the fair market value of any property received, and (ii) the shareholder's tax basis in our common shares. Preferential tax rates apply to long-term capital gains of US Holders who are individuals, estates or trusts. At present, there are no preferential tax rates applicable to US Holders which are corporations. This gain or loss generally will be capital gain or loss if the common shares are a capital asset in the hands of the US Holder, which will be a long-term capital gain or loss if the common shares of ViRexx are held for more than one year. Deductions for net capital losses may be carried over to be used in later tax years until such net capital loss is thereby exhausted. For US Holders which are corporations (other than corporations subject to Subchapter S of the Code), an unused net capital loss may be carried back three years from the loss year and carried forward five years from the loss year to be offset against capital gains until such net capital loss is thereby exhausted.

Other Considerations

In the following circumstances, the above sections of this discussion may not describe the United States federal income tax consequences resulting from the holding and disposition of common shares.

As used herein "US Person" means a citizen or income tax resident of the United States as determined under US domestic law.

Foreign Personal Holding Company

If at any time during a taxable year more than 50 percent of the total combined voting power or the total value of ViRexx's outstanding shares is owned, directly or indirectly (including through attribution), by five or fewer US Persons who are individuals and 60 percent or more of ViRexx's gross income for such year was derived from certain passive sources (e.g., dividends, interest, rents, royalties, etc.), ViRexx is a "foreign personal holding company" ("FPHC"). (The 60 percent test is reduced to 50 percent after the first tax year that the entity is a FPHC.) In that event, US Holders would be required to include in gross income for such year their allocable portions of ViRexx's undistributed income.

Foreign Investment Corporation

If 50 percent or more of the combined voting power or total value of all classes of the Corporation's stock is held, directly or indirectly (including through attribution), by US Persons, the Corporation is found to be engaged primarily in the business of investing, reinvesting, or trading in securities, commodities, or any interest therein, and certain other conditions are met, it is possible that the Corporation may be treated as a "foreign investment company" as defined in Section 1246 of the Code. This characterization causes all or part of any gain realized by a US Holder selling or exchanging common shares to be treated as ordinary income rather than capital gain.

Passive Foreign Investment Company

As a foreign corporation with US Holders, ViRexx could potentially be treated as a passive foreign investment company ("PFIC"), as defined in Section 1297 of the Code, depending upon the percentage of ViRexx's income which is passive, or the percentage of ViRexx's assets which are producing passive income. Generally, US Holders of PFICs are taxed upon receipt of "excess distributions" which include (i) gains recognized on the sale or deemed disposition of PFIC stock, and (ii) distributions made by the PFIC to the extent that the total distributions received for the tax year exceeds 125% of the average actual distributions received in the preceding three years. An excess distribution is allocated rateably to each day in the shareholder's holding period for the stock. Amounts allocated to the current year and the pre-PFIC holding period (if any) are included in gross income as ordinary income. Amounts allocated to the PFIC period (other than the current year) are subject to tax at the highest US income tax rate plus an interest charge to reflect the benefit of tax deferral.

However, if the US Holder makes a timely election to treat a PFIC as a qualified electing fund ("QEF") with respect to such shareholder's interest therein, the above-described rules generally would not apply. Instead, the electing US Holder would include annually in gross income his, her or its pro rata share of the PFIC's ordinary earnings and net capital gain, regardless of whether such income or gain was actually distributed. A US Holder making a QEF election can, however, under certain circumstances elect to defer the payment of United States federal income tax on such income inclusions subject to an interest charge on the amount of deferred taxes. In addition, subject to certain limitations, US Holders owning (actually or constructively) marketable stock in a PFIC will be permitted to elect to mark that stock to market annually, rather than be subject to the excess distribution regime described above. Amounts included in or deducted from income under this alternative (and actual gains and losses realized upon disposition, subject to certain limitations) will be treated as ordinary gains or losses.

Controlled Foreign Corporation

If more than 50 percent of the voting power of all classes of stock or the total value of the stock of the Corporation is owned, directly or indirectly (including through attribution), by US Persons, each of whom own 10 percent or more of the total combined voting power of all classes of stock of the Corporation ("United States Shareholder"), the Corporation is a "controlled foreign corporation" under the Code. This classification has many complex consequences, one of which is the inclusion of certain income of a CFC in the US Shareholders' income on a current basis, regardless of distributions. Such US Shareholders are generally treated as having received a current distribution out of the CFC's Subpart F income (generally, passive income and certain income generated by transactions between related parties) and are also subject to current US tax on their pro rata shares of the CFC's earnings invested in US property. In certain circumstances, a foreign tax credit may apply to reduce the US tax on these amounts. In addition, under Section 1248 of the Code, gain from the sale or exchange of stock by a holder of common shares who is or was a United States Shareholder at any time during the five year period ending with the sale or exchange may be treated as ordinary dividend income to the extent of earnings and profits of the Corporation attributable to the stock sold or exchanged. If a foreign corporation is both a PFIC and a CFC, the foreign corporation generally will not be treated as a PFIC with respect to United States shareholders of the CFC.

F. Dividends and paying agents

Not applicable.

G. Statement by experts

Not applicable.

H. Documents on display

Documents concerning us that are referred to in this document may be inspected at the office of our solicitors at 1500 Manulife Place, 10180 - 101 Street, Edmonton, Alberta, Canada, T5J 4K1.

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to risk of foreign currency exchange rate fluctuation. We have never tried to hedge our exchange rate risks, does not plan to do so, and may not be successful should we attempt to do so in the future.

We are also exposed to interest rate fluctuation risks, which we do not systematically manage. We have never tried to hedge our interest rate fluctuation risks, does not plan to do so and may not be successful should we attempt to do so in future.

Item 12. Description of Securities Other than Equity Securities

Not Applicable.

Item 13. Defaults, Dividend Arrearages and Delinquencies

Not applicable.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Not applicable.

Item 15. [Reserved]

Item 16. [Reserved]

Item 16A – Audit Committee Financial Expert

As an Alberta corporation with operations principally outside of the United States, it is considered a “foreign private issuer” for the purposes of filings with the Securities and Exchange Commission (“SEC”) and with any stock exchange in the United States. Under applicable SEC regulations, an issuer must disclose if it has an “audit committee financial expert” on its audit committee if it is required to have such an expert by the listing rules applicable to it. ViRexx is not yet listed and accordingly, ViRexx is not presently subject to the audit committee financial expert requirement.

The Board of Directors of ViRexx has appointed Mr. Douglas Gilpin to the audit committee. Mr. Gilpin is a chartered accountant and was an audit partner with KPMG LLP, Chartered Accountants, from 1981 to 1999.

Item 16B – Code of Ethics

ViRexx has adopted a Code of Ethics which applies to directors, officers and employees. It is posted on the ViRexx website, www.virexx.com.

Item 16C – Principal Accountant Fees and Services

Accountant Fees and Services	**2004**	**2005**
Audit Fees	$ 24,750	$ 53,611
Audit Related Fees	$ 58,797	$ 69,990
Tax Fees	$ 5,125	$ 4,500
All Other Fees	Nil	Nil

Item 16D – Exemption from the Listing Standards for Audit Committees

Not applicable.

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Item 16E - Purchases of Equity Securities by the Issuer and Affiliated Purchasers

ISSUER PURCHASES OF EQUITY SECURITIES THROUGH NORMAL COURSE ISSUER BID[(1)]

Period December 14, 2004 to December 31, 2005	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Units)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
Month #1 December 23, 2004 to December 22, 2005	—	—	—	2,663,823
Month #2 January 1, 2005 to January 31, 2005	40,800	$ 1.10	—	2,623,023
Month #3 February 1, 2005 to February 28, 2005	200	$ 1.10	—	2,622,823
Month #4 March 1, 2005 to March 31, 2005	90,000	$ 1.48	—	2,532,823
Month #5 April 1, 2005 to April 30, 2005	6,000	$ 1.44	—	2,526,823
Month #6 May 1, 2005 to May 31, 2005	—	—	—	2,526,823
Month #7 June 1, 2005 to June 30, 2005	108,800	$ 1.01	—	2,418,023
Month #8 July 1, 2005 to July 31, 2005	331,200	$ 1.00	—	2,086,823
Month #9 August 1, 2005 to August 31, 2005	1,003,800	$ 1.04	—	1,083,023
Month #10 September 1, 2005 to September 30, 2005	—	—	—	1,083,023
Month #11 October 1, 2005 to October 31, 2005	—	—	—	1,083,023
Month #12 November 1, 2005 to November 30, 2005	350,000	$ 1.10	—	733,023
Month #13 December 1, 2005 to December 31, 2005	126,100	$ 1.16	—	606,923

Notes:

(1) A Normal Course Issuer Bid was approved by the TSX on December 21, 2004 and the intention of ViRexx to engage in this program was announced on December 22, 2004 and terminated on December 23, 2005. Trading under

the program commenced on December 22, 2004 and will terminate on December 22, 2005 at the close of trading. The trading will take place through the TSX and there is no restriction on the price paid per share. This Normal Course Issuer Bid is the first program of this nature ever implemented by ViRexx.

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PART III

Item 17. Financial Statements

We have elected to provide Financial Statements pursuant to Item 18 (see below).

Item 18. Financial Statements

Our audited financial statements attached hereto are hereby incorporated by reference.

Item 19. Exhibits

The list of exhibits is included following the signature page hereto.

SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused this Annual Report to be signed on its behalf.

VIREXX MEDICAL CORP.

By: *signed (D. Lorne Tyrrell)*

Name: Dr. D. Lorne Tyrrell
Title: Chief Executive Officer

Date: May 12, 2006

By: *signed (Macaraig Canton)*

Name: Macaraig Canton
Title: Acting Chief Financial Officer

Date: May 12, 2006

ANNUAL REPORT ON FORM 20-F

EXHIBIT INDEX

Registration Rights Agreement between United Therapeutics Corporation and AltaRex Corp. dated April 17, 2002

Exhibit No.	Description of Document	Page No.
C.5	Security Agreement between United Therapeutics Corporation and AltaRex Corp. dated April 17, 2002	E-447
C.6	Arrangement Agreement among Nova Bancorp Investments Ltd., AltaRex Corp. and AltaRex Medical Corp. dated December 23, 2003	E-460
C.7	Asset Purchase Agreement between AltaRex Corp. and AltaRex Medical Corp. dated December 31, 2003	E-533
C.8	Indemnity Agreement between AltaRex Corp. and AltaRex Medical Corp. dated effective February 3, 2004	E-553
C.9	Convertible Note Payable with a prescribed interest rate of 6% granted in favour of United Therapeutics Corporation by AltaRex Medical Corp. dated February 3, 2004	E-569
C.10	Arrangement Agreement between AltaRex Medical Corp. and ViRexx Medical Corp. dated October 15, 2004	E-606
C.11	Collaborative Development Agreement between Protein Sciences Corporation and ViRexx Medical Corp. effective April 20, 2005	E-670
C.12	License Agreement between The Governors of the University of Alberta and ViRexx Research Inc. dated the 13 day of December, 2001	E-694
C.13	Contract Research Agreement between the Board of Governors of the University of Alberta on behalf of the Noujaim Institute for Pharmaceutical Oncology Research, Faculty of Pharmacy and Pharmaceutical Sciences, University of Alberta and Noustar Technologies Inc. and Somagen Diagnostics Inc. effective the 15th day of November, 1998	E-718
C.14	License Agreement between The Governors of the University of Alberta and Virexx Research Inc. made the 1st day of May, 2002	E-725
C.15	Royalty Assignment Agreement between Thrombotics Inc., Novolytic Inc. an AltaRex Corp. dated the 1st day of November, 1999	E-764
C.16	Technology Commercialization Agreement made as of the 1st day of January, 2004 between Alberta Heritage Foundation of Medical Research aned ViRexx Medical Corp.	
Item 17	Consent of Independent Accountants dated May 15, 2006.	

ViRexx Medical Corp.

Consolidated Financial Statements
December 31, 2005 and 2004
(expressed in Canadian dollars)

PricewaterhouseCoopers LLP
Chartered Accountants
Suite 1501, TD Tower
10088 - 102 Avenue
Edmonton, Alberta
Canada T5J 3N5
Telephone +1 (780) 441 6700
Facsimile +1 (780) 441 6776

Auditors' Report

To the Shareholders of
ViRexx Medical Corp.

We have audited the consolidated balance sheets of **ViRexx Medical Corp.** as at December 31, 2005 and 2004 and the consolidated statements of loss, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and 2004 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2005 in accordance with generally accepted accounting principles in Canada.

Chartered Accountants

Edmonton, Alberta
February 24, 2006

Comments by Auditors for U.S. Readers on Canada - U.S. Reporting difference

In the United States reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when there is a change in accounting principles that has a material effect on the comparability of the Company's financial statements, such as the change in accounting for stock-based compensation described in Note 3 to the financial statements. Our report to the shareholders dated February 24, 2006 is expressed in accordance with Canadian reporting standards, which do not require a reference to such a change in accounting principles in the auditor's report when the change is properly accounted for and adequately described in the financial statements.

Chartered Accountants

Edmonton, Alberta
February 24, 2006

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

ViRexx Medical Corp.
(a development stage company)
Consolidated Balance Sheets

(expressed in Canadian dollars)

	December 31, 2005 $	December 31, 2004 $ (Restated - Note 3)
Assets		
Current assets		
Cash and cash equivalents	5,571,850	9,462,988
Restricted cash (note 6)	—	659,000
Goods and services tax recoverable	39,606	94,903
Prepaid expenses and deposits	166,658	383,143
Other current assets	—	18,527
	5,778,114	10,618,561
Property and equipment (note 4)	518,134	533,202
Acquired intellectual property (note 5)	29,990,097	34,570,682
	36,286,345	45,722,445
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	670,166	744,805
Convertible debentures (note 6)	—	1,037,106
	670,166	1,781,911
Future income taxes (note 7)	1,168,377	6,749,947
	1,838,543	8,531,858
Commitments and contingencies (notes 5 and 8)		
Shareholders' Equity		
Common shares - no par value; unlimited shares authorized; 58,443,445 shares and 53,276,477 shares issued and outstanding, respectively (note 11)	45,989,189	41,754,983
Contributed surplus (note 11)	4,779,409	3,626,905
Equity component of convertible debenture (note 6)	—	59,118
Deficit accumulated during development stage	(16,320,796)	(8,250,419)
	34,447,802	37,190,587
	36,286,345	45,722,445

The accompanying notes are an integral part of the financial statements.

Approved by the Board of Directors

Lorne Tyrrell, Ph.D, M.D
Director

Douglas Gilpin, CA
Chairman

ViRexx Medical Corp.
(a development stage company)
Consolidated Statements of Shareholders' Equity

(expressed in Canadian dollars)

	Common shares					
	Number #	Amount $	Equity component of debenture $	Contributed surplus $	Deficit accumulated during development stage $	Total shareholders' equity $
Balance - December 31, 1999	—	—	—	—	—	—
Shares issued on incorporation	200	259	—	—	—	259
Net loss	—	—	—	—	(177,397)	(177,397)
Balance - December 31, 2000	200	259	—	—	(177,397)	(177,138)
Issuance of common shares	16,617,283	1,153,081	—	—	—	1,153,081
Exercise of warrants	260,039	207,094	—	—	—	207,094
Share issue costs	—	(69,067)	—	—	—	(69,067)
Net loss	—	—	—	—	(1,011,957)	(1,011,957)
Balance - December 31, 2001	16,877,522	1,291,367	—	—	(1,189,354)	102,013
Shares issued on settlement of debt	682,686	218,460	—	—	—	218,460
Issuance of common shares	184,000	800,024	—	—	—	800,024
Exercise of warrants	1,869	1,428	—	—	—	1,428
Share issue costs	—	(7,749)	—	—	—	(7,749)
Issuance of convertible debenture	—	—	90,000	—	—	90,000
Amalgamation	(1,000,000)	—	—	—	—	—
Net loss	—	—	—	—	(1,260,472)	(1,260,472)
Balance - December 31, 2002	16,746,077	2,303,530	90,000	—	(2,449,826)	(56,296)
Issued under private placement	48,000	31,200	—	—	—	31,200
Exercise of stock options	300,000	126,600	—	—	—	126,600
Conversion of debentures	684,648	261,277	(30,882)	—	—	230,395
Amalgamation	(7,378,725)	—	—	—	(24,498)	(24,498)
Issue of special warrants	5,200,000	2,881,060	—	205,150	—	3,086,210
Stock options issued to non-employees	—	—	—	85,000	—	85,000
Net loss	—	—	—	—	(1,383,562)	(1,383,562)

Balance - December 31, 2003	15,600,000	5,603,667	59,118	290,150	(3,857,886)	2,095,049
Retroactive adjustment for stock-based compensation	—	—	—	734,773	(734,773)	—
Balance - December 31, 2003 (restated - note 3)	15,600,000	5,603,667	59,118	1,024,923	(4,592,659)	2,095,049
Issued through public offering	11,000,000	8,388,820	—	411,180	—	8,800,000
Issued as corporate finance fee	400,000	—	—	—	—	—
Exercise of warrants	5,500	5,500	—	—	—	5,500
Acquisition of AltaRex Medical Corp.	26,257,759	28,620,957	—	—	—	28,620,957
Exercise of stock options	13,218	15,727	—	(5,153)	—	10,574
Share issue costs	—	(879,688)	—	—	—	(879,688)
Fair value of stock options issued on the acquisition of AltaRex	—	—	—	1,815,378	—	1,815,378
Stock options issued	—	—	—	380,577	—	380,577
Net loss (restated - note 3)	—	—	—	—	(3,657,760)	(3,657,760)
Balance - December 31, 2004 (restated - note 3)	53,276,477	41,754,983	59,118	3,626,905	(8,250,419)	37,190,587
Repurchase of shares	(2,056,900)	(1,645,113)	—	—	(610,663)	(2,255,776)
Exercise of stock options	225,218	267,413	—	(75,699)	—	191,714
Private placement	4,035,665	2,970,316	—	1,065,349	—	4,035,665
Exercise of warrants	2,302,875	2,277,370	—	(294,495)	—	1,982,875
Conversion of debentures	561,100	591,281	—	—	—	591,281
Conversion and redemption of debentures	—	—	(59,118)	—	—	(59,118)
Share issue costs	99,010	(227,061)	—	—	—	(227,061)
Stock options issued	—	—	—	457,349	—	457,349
Net loss	—	—	—	—	(7,459,714)	(7,459,714)
Balance - December 31, 2005	58,443,445	45,989,189	—	4,779,409	(16,320,796)	34,447,802

The accompanying notes are an integral part of the financial statements.

ViRexx Medical Corp.
(a development stage company)
Consolidated Statements of Shareholders' Equity

(expressed in Canadian dollars)

	Years ended December 31,			Cumulative from October 30, 2000 to December 31, 2005
	2005 $	2004 $ (Restated — Note 3)	2003 $	$
Revenue	—	—	—	—
Expenses				
Research and development (note 10)	4,750,190	1,796,680	383,073	7,195,332
Corporate administration	3,650,282	1,887,711	892,036	7,009,464
Depreciation and amortization	2,499,174	71,348	31,596	2,661,343
Debenture interest	95,201	61,999	76,052	272,960
Loss (gain) on foreign exchange	45,528	(14,971)	(4,401)	77,653
Interest income	(218,504)	(127,728)	(7,497)	(353,729)
Other income	(3,731)	(15,324)	—	(19,055)
(Gain) loss on disposal of property and equipment	—	(1,955)	12,703	105,720
	10,818,140	3,657,760	1,383,562	18,309,288
Loss before income taxes	(10,818,140)	(3,657,760)	(1,383,562)	(18,309,288)
Income taxes recovery	(3,358,426)	—	—	(3,358,426)
Net loss for the year	(7,459,714)	(3,657,760)	(1,383,562)	(14,950,862)
Basic and diluted loss per common share (note 12)	(0.13)	(0.14)	(0.15)	

The accompanying notes are an integral part of the financial statements.

ViRexx Medical Corp.
(a development stage company)
Consolidated Statements of Shareholders' Equity

(expressed in Canadian dollars)

	Years ended December 31,			Cumulative from October 30, 2000 to December 31, 2005 $
	2005 $	2004 $ (Restated — Note 3)	2003 $	
Cash provided by (used in)				
Operating activities				
Net loss for the period	(7,459,714)	(3,657,760)	(1,383,562)	(14,950,862)
Items not affecting cash				
Debenture interest	95,201	54,526	76,052	265,487
Depreciation and amortization	2,499,174	71,348	31,596	2,661,343
Stock-based compensation	457,349	380,577	211,300	1,049,226
Write off of patent costs	—	242,626	—	242,626
(Gain) loss on disposal of property and equipment	—	(1,955)	12,703	105,364
Unrealized foreign exchange gain	(356)	(9,471)	—	(9,471)
Future income taxes	(3,358,426)	—	—	(3,358,426)
Net change in non-cash working capital items (note 13)	215,670	(346,104)	476,659	391,261
	(7,551,102)	(3,266,213)	(575,252)	(13,603,452)
Financing activities				
Issuance of share capital	5,983,193	7,405,027	3,280,210	18,774,956
Amounts due to related parties	—	(35,341)	13,368	—
Advances from shareholder	—	—	575,000	769,900
Repayment of advances from shareholder	—	—	(575,000)	(769,900)
Convertible debentures	(600,144)	—	—	84,856
Restricted cash	659,000	(659,000)	—	—
Repurchase of shares	(2,255,776)	—	—	(2,255,776)
	3,786,273	6,710,686	3,293,578	16,604,036
Investing activities				
Acquisition of property and equipment	(131,991)	(403,364)	(94,617)	(908,422)
Cash acquired on acquisition	—	3,710,419	19,142	3,729,561
Proceeds on sale of property and equipment	5,682	2,861	9,210	17,753
Expenditures on patents and trademarks	—	—	(74,824)	(267,626)
	(126,309)	3,309,916	(141,089)	2,571,266

(Decrease) increase in cash and cash equivalents	(3,891,138)	6,754,389	2,577,237	5,571,850
Cash and cash equivalents - Beginning of year	9,462,988	2,708,599	131,362	—
Cash and cash equivalents - End of year	5,571,850	9,462,988	2,708,599	5,571,850
Supplementary information (note 13)				

The accompanying notes are an integral part of the financial statements.

ViRexx Medical Corp.
(a development stage company)
Consolidated Statements of Shareholders' Equity

(expressed in Canadian dollars)
The accompanying notes are an integral part of the financial statements.

ViRexx Medical Corp.
Notes to Consolidated Financial Statements
December 31, 2005 and 2004

(expressed in Canadian dollars)

1 Nature of operations

ViRexx Medical Corp. (the "Company" or "ViRexx"), amalgamated under the Business Corporations Act (Alberta), is a development-stage biotechnology company focused on the development of novel therapeutic products for the treatment of certain cancers and specified chronic viral infections. The Company's most advanced programs include drug candidates for the treatment of ovarian cancer, chronic hepatitis B and C and selected solid tumors.

The Company began as Novolytic Corp. on October 30, 2000. ViRexx Research Inc. was incorporated under the Business Corporations Act (Alberta) on June 6, 2001 and on August 1, 2002 ViRexx Research Inc. amalgamated with Novolytic Corp. to continue as ViRexx Research Inc. ("ViRexx Research"). On December 23, 2003, ViRexx Research was amalgamated with ViRexx Medical Corp. and Norac Industries Inc. ("Norac"), as described in note 11, to form and continue business as ViRexx Medical Corp. Norac was a public company whose shares were listed on the TSX Venture Exchange. On completion of the amalgamation with Norac, ViRexx became a listed company.

On December 10, 2004, pursuant to a plan of arrangement, the Company acquired all of the outstanding shares of AltaRex Medical Corp. ("AltaRex") by issuing one-half of one common share in exchange for each issued share of AltaRex. Following the acquisition, the Company became listed on the Toronto Stock Exchange.

On December 23, 2005, the Company became listed on the American Stock Exchange.

2 Summary of significant accounting policies

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada which, with respect to the Company, do not differ materially from those applied in the United States except as disclosed in note 15. Because the precise determination of many assets, liabilities, revenues and expenses is dependent on future events, the preparation of financial statements for a period necessarily includes the use of estimates and approximations which have been made using careful judgment. Actual results could differ from those estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and all of its wholly owned subsidiaries.

b) Cash and cash equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash or cash equivalents.

(expressed in Canadian dollars)

c) Revenue

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed and determinable and collection is reasonably assured.

d) Property and equipment

Property and equipment are stated at cost. Depreciation is provided using the declining balance method at the following annual rates:

Laboratory equipment	20%
Office, furniture and equipment	20%
Computer equipment	30%
Computer software	100%

Leasehold improvements are depreciated over the term of the lease.

e) Licenses

Licenses represents the amount paid for the rights to use certain patents and are recorded at cost. Amortization is provided for on a straight-line basis over twelve years, being the term of the licensing agreements.

f) Unither development agreement

This agreement is recorded at cost and was acquired on the acquisition of AltaRex Medical Corp. as described in note 5. The carrying amount does not necessarily reflect future values and the ultimate amount recoverable will be dependent upon the successful development and commercialization of products. This amount is being amortized on a straight-line basis over the estimated term of the agreement, which is thirteen years.

g) Government grants and investment tax credits

Government assistance is recognized when the expenditures that qualify for assistance are made and the Company has complied with the conditions for the receipt of government assistance. Government assistance is applied to reduce the carrying amount of any assets acquired or to reduce eligible expenses incurred. A liability to repay government assistance, if any, is recorded in the period when the conditions arise that cause the assistance to become repayable.

(expressed in Canadian dollars)

h) Research and development costs

Research costs are expensed in the period incurred. Development costs are expensed in the period incurred unless technical and market viability of a development project have been established. No development costs have been deferred to date.

i) Foreign currency translation

Translation of transactions arising in foreign currencies is recorded at approximate rates of exchange in effect at the dates of the transactions, with resulting monetary assets and monetary liabilities arising in foreign currencies being translated at the rates of exchange in effect at the balance sheet date. Gains or losses on translation during the period are included in net loss for the year.

j) Income taxes

The Company follows the liability method of income tax allocation. Under this method, future income taxes are recognized for the future income tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax basis. Future income tax assets and liabilities are measured using substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in rates is included in earnings in the period that includes the date of substantial enactment. Future income tax assets are recorded in the financial statements if realization is considered more likely than not.

k) Stock-based compensation

The Company grants stock options to executive officers, directors, employees and consultants pursuant to a stock option plan. Awards of stock options to non-employees are accounted for in accordance with the fair value method and result in compensation expense. Effective January 1, 2004, awards of stock options granted to employees, officers and directors are accounted for in accordance with the fair value method and result in compensation expense. The expense is recognized in income over the shorter of the service period of the employees to whom the option was granted or the vesting period of the specific option. The corresponding credit is recorded as contributed surplus. Any consideration paid on the exercise of stock options is credited to share capital. Previously, the Company did not record any compensation expense upon the issuance of stock options to employees, officers and directors.

l) Impairment of long-lived assets

Property and equipment and intangible assets with a finite life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of the asset with its expected future net undiscounted cash flows from use together with its residual value. If an asset is considered to be impaired, the impairment recognized is the amount by which the carrying amount of the asset exceeds its fair value.

(expressed in Canadian dollars)

m) Loss per share

Basic loss per share is computed by dividing loss by the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method of calculating diluted loss per share. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of stock options or warrants is applied to repurchase common shares at the average market price for the year.

3 Accounting changes

Effective January 1, 2004, the Company became subject to additional requirements of Section 3870 of the CICA Handbook with respect to accounting and disclosure for stock-based compensation. As such, new awards of stock options granted to employees made on or after January 1, 2004 are accounted for in accordance with the fair value method and result in compensation expense. The expense is recognized in income over the shorter of the service period of the employee to whom the option was granted or the vesting period of the specific option. Any consideration paid on the exercise of stock options is credited to share capital. Previously, the Company did not record any compensation expense upon the issuance of stock options to employees. This change in recording the fair value of awards has been accounted for on a retroactive basis without restatement of prior periods. For awards granted after January 1, 2002 and prior to January 1, 2004, the Company has increased the opening deficit and contributed surplus by $734,773.

The acquisition of AltaRex, as described in note 5, was originally treated as the acquisition of a business and accounted for in accordance with CICA 1581 Business Combinations. It was subsequently determined that AltaRex did not meet the definition of a business as described in Emerging Issues Committee Abstract 124 and therefore should have been accounted for as a purchase of assets. Financial statements for the year ended December 31, 2004 have been restated to reflect this treatment. The impact of this restatement is a $7,282,832 increase in acquired intellectual property rights; a $6,065,718 decrease in goodwill; a $684,229 increase in future income taxes payable; a $568,859 increase in share capital and a $35,974 decrease in convertible debentures payable at December 31, 2004.

Effective January 1, 2004, the Company wrote off the carrying value of capitalized costs incurred on patents and trademarks to reflect the uncertainty associated with any future economic benefit. This was accounted for retroactively and the prior year’s financial statements were restated. As this did not represent a change in accounting policy, the total impact of the write down should have been reflected in the year ended December 31, 2004. The financial statements have been restated to reflect this treatment. The impact of this restatement is a $242,626 increase in the net loss previously reported for the year ended December 31, 2004; a $167,802 decrease in the deficit previously reported as of January 1, 2003; and a $74,824 decrease in the previously reported 2003 net loss.

ViRexx Medical Corp.
Notes to Consolidated Financial Statements
December 31, 2005 and 2004

(expressed in Canadian dollars)

4 Property and equipment

	Cost $	2005 Accumulated depreciation $	Net $
Laboratory equipment	468,834	142,047	326,787
Office furniture and equipment	108,434	30,175	78,259
Computer equipment and software	175,085	92,073	83,012
Leasehold improvements	36,469	6,393	30,076
	788,822	270,688	518,134

Depreciation expense relating to property and equipment charged to current operations was $141,733 (2004 - $69,264; 2003 - $29,513).

	Cost $	2004 Accumulated depreciation $	Net $
Laboratory equipment	465,394	76,090	389,304
Office furniture and equipment	64,124	13,210	50,914
Computer equipment and software	98,297	38,787	59,510
Leasehold improvements	34,343	869	33,474
	662,158	128,956	533,202

5 Acquired intellectual property

	2005 $	2004 $
Unither development agreement - net of accumulated amortization of $2,355,358 (2004 - $nil)	29,975,164	34,553,666
Other licenses - net of accumulated amortization of $10,067 (2004 - $7,984)	14,933	17,016
	29,990,097	34,570,682

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Amortization expense relating to intellectual property charged to operations was $2,357,441 (2004 - $2,084; 2003 - $2,083).

On December 10, 2004, the Company acquired certain intellectual property and related agreements. These assets resided in AltaRex, a holding company with no active business. The Company completed the acquisition by issuing 26,257,759 common shares in exchange for all of the issued and outstanding shares of AltaRex. The assets consisted primarily of an Exclusive Agreement with Unither Pharmaceuticals Inc. (“Unither”), a wholly owned subsidiary of United Therapeutics Corporation (“United Therapeutics”), for the development of five monoclonal antibodies, including OvaRex® MAb, the Company’s lead product in late stage development for the treatment of ovarian cancer. Under the terms of the agreement, Unither received exclusive rights for development and commercialization of the products worldwide, with the exception of rights retained by the Company to the majority of the European Union and certain other countries. Unither is responsible for the costs of clinical trials, manufacturing and other development expenses for each product and will pay development milestone payments and royalties from product sales to the Company. Milestone payments include US$2.0 million on the completion of a Biologics License Application (“BLA”); and US$3.0 million on the approval of the BLA by the United States Food and Drug Administration. The Company does not anticipate that either of these milestones will be reached prior to the middle of 2007.

Consideration for the acquired assets was 26,257,759 ViRexx common shares with a fair value of $28,620,957 based on $1.09 per share, which was the market price per share at the date of announcement on October 15, 2004. The acquisition cost also includes $1,815,378 relating to the fair value of new ViRexx stock options issued in exchange for AltaRex stock options and acquisition costs of $568,859.

The Unither agreement and related intellectual property acquired was valued at $34,553,666. Other net assets, which consisted of cash, equipment and a debenture payable, amounted to $3,201,475.

The Company is a party to other license and development agreements with various third parties. In each case, the third party may be entitled to receive any one or a combination of milestone payments, royalty payments and stock options based on the product development stage or sales revenue from the development of certain products or technology.

The Company has not made any payments under these agreements and has no liability for payments or the issue of shares or options at December 31, 2005 or December 31, 2004.

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6 Convertible debentures

	2005 $	2004 $
U.S. dollar convertible debenture	—	502,215
Canadian dollar convertible debentures	—	450,000
Equity component of convertible debentures	—	(59,118)
Unpaid interest	—	144,009