VIREXX MEDICAL CORP
Form 20-F
April 01, 2008

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

FORM 20-F

(Mark One)

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

OR

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

For the fiscal year ended December 31, 2007

OR

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

OR

SHELL COMPANY REPORT PURSUANTTO 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 organization)

8223 Roper Road NW, 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")

The Common Shares are also traded on the 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 December 31, 2007, there were 72,760,717 outstanding common shares of ViRexx Medical Corp.

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

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.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer.

Large Accelerated filer Accelerated filer Non-accelerated filer

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

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of the securities under a plan confirmed by a court.

Yes No

Table of Contents

4

FORWARD LOOKING STATEMENTS

This Annual Report on Form 20-F (the "Annual Report") 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", "poten "intends", "plans" and other similar expressions or statements incorporating a modal verb such that an action, event or result "will", "may", "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 United States 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 product 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 Annual Report.

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 Annual Report, except where otherwise indicated, all references to the "Corporation," "we," "our" and "ViRexx" refe 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 "U.S. $" are to United States dollars.

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

A. Directors and Senior Management

Not applicable

B. Advisors

Not applicable.

C. Auditors

Not applicable.

Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3. 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, 2007, December 31, 2006, December 31, 2005, December 31, 2004, and December 31, 2003.

The selected financial data should be read in conjunction with Item 5 - "Operating and Financial Review and Prospects," the financial statements and other financial information included elsewhere in this Annual Report.

We prepared our audited consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Canadian 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 24 to our audited consolidated financial statements for the three years ended December 31, 2007, included elsewhere in this Annual Report. Note 24 to our audited consolidated financial statements for the year ended December 31, 2007 also provides a reconciliation of our audited consolidated financial statements to U.S. GAAP.

Our fiscal year ends on December 31 and we designate our fiscal year by the year in which that fiscal year ends; e.g., fiscal year 2007 refers to our fiscal year ending December 31, 2007.

Selected Canadian GAAP Financial Data

(In thousands of Canadian dollars, except per share data)	Years ended December 31,				
	2007 (1)	2006 (1)	2005 (1)	2004 (1)	2003 (1)
Revenues	—	—	—	—	—
Operating expenses:					
Research and development	$ 4,761	$ 5,937	$ 4,750	$ 1,797	$ 383
Corporate administration	4,947	4,977	3,650	1,888	893
Amortization	2,502	2,771	2,499	71	31
Total operating expenses	12,210	13,685	10,899	3,756	1,307
Loss from operations	(12,210)	(13,685)	(10,899)	(3,756)	(1,307)
Interest income	212	400	222	143	8
Debenture interest	-	-	(95)	(62)	(76)
Gain (loss) on foreign exchange	74	(30)	(46)	15	4
Impairment of acquired intellectual property	(24,991)	-	-	-	-
Gain (loss) on disposal of property and equipment	-	1	-	2	(13)

Loss before income taxes	(36,914)	(13,315)	(10,818)	(3,658)	(1,384)
Income tax recovery (expense)	5,347	(4,179)	3,358	-	-
Net loss and comprehensive loss	$ (31,568)	$ (17,493)	$ (7,460)	$ (3,658)	$ (1,384)
Basic and diluted loss per common share	$ (0.43)	$ (0.25)	$ (0.13)	$ (0.14)	$ (0.15)
Weighted average number shares outstanding (000's)	72,761	68,921	55,827	25,268	9,129
Dividends declared per share	-	-	-	-	-

(In thousands of Canadian dollars, except per share data)	As at December 31,				
	2007 (1)	2006 (1)	2005 (1)	2004 (1)	2003 (1)
Balance Sheet Data:					
Cash, cash equivalents and short-term investments	$ 2,575	$ 10,742	$ 5,572	$ 9,463	$ 2,709
Total assets	3,291	38,950	36,286	45,722	3,742
Long-term liabilities	-	5,352	1,168	6,750	35
Total shareholders' equity	$ 1,182	$ 31,999	$ 34,448	$ 37,191	$ 2,095

(1) Derived from the audited consolidated financial statements for the year then ended.

Selected U.S. GAAP Financial Data

(In thousands of Canadian dollars, except per share data)	Years ended December 31,				
	2007 (1)	2006 (1)	2005 (1)	2004 (1)	2003 (1)
Revenues	—	—	—	—	—
Operating expenses:					
Research and development	$ 4,761	$ 5,937	$ 4,750	$ 1,797	$ 383
Corporate administration	4,947	4,977	3,650	1,888	1,627
Amortization	124	150	142	69	29
Total operating expenses	9,832	11,064	8,542	3,754	2,039
Loss from operations	(9,832)	(11,064)	(8,542)	(3,754)	(2,039)
Interest income	212	400	222	143	8
Debenture Interest	-	-	(95)	(62)	(76)
Gain (loss) on foreign exchange	75	(31)	(46)	15	4
Gain (loss) on disposal of property and equipment	-	1	-	2	(13)
Acquired intellectual property	-	-	-	(27,804)	(75)
Loss before income taxes	(9,545)	(10,694)	(8,461)	(31,460)	(2,191)
Income tax expense	-	-	-	-	-
Net loss and comprehensive loss	$ (9,545)	$ (10,694)	$ (8,461)	$ (31,460)	$ (2,191)
Basic and diluted loss per common share	$ (0.13)	$ (0.16)	$ (0.15)	$ (1.25)	$ (0.24)
Weighted average number shares outstanding (000's)	72,761	68,921	55,827	25,268	9,129
Dividends declared per share	-	-	-	-	-

(In thousands of Canadian dollars, except per share data)	As at December 31,				
	2007 (1)	2006 (1)	2005 (1)	2004 (1)	2003 (1)
Balance Sheet Data:					
Cash, cash equivalents and short-term investments	$ 2,575	$ 10,742	$ 5,572	$ 9,463	$ 2,709
Total assets	3,291	11,580	6,296	11,152	3,480
Long-term liabilities	-	5	-	-	35
Total shareholders' equity	$ 1,182	$ 9,977	$ 5,626	$ 9,311	$ 1,774

(1) Derived from the audited consolidated financial statements for the year then ended.

Currency and Exchange Rates

The following table sets out the exchange rates for U.S. 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):

	U.S. Dollars Per One Canadian Dollar Year Ended December 31,					
	January - March 2008	2007	2006	2005	2004	2003
End of period	0.98	1.01	0.86	0.86	0.83	0.77
Average for the period	1.00	0.93	0.88	0.82	0.76	0.71

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

	U.S. Dollars per One Canadian Dollar					
	March 2008	February 2008	January 2008	December 2007	November 2007	October 2007
High for the month	0.98	0.98	0.97	0.97	0.97	0.97
Low for the month	1.03	1.01	1.01	1.02	1.09	1.09

Exchange rates are based upon the noon buying rate in New York, U.S. for cable transfers in foreign currencies, as certified for customs purposes by the United States Federal Reserve Bank of New York. The noon rate of exchange on March 28, 2008 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 = U.S.$0.98.

B. Capitalization and Indebtedness

Not applicable.

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 audited consolidated 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.

RISKS RELATED TO OUR FINANCIAL CONDITION

THERE IS EXPRESSED DOUBT ABOUT OUR ABILITY TO CONTINUE AS A GOING CONCERN, WHICH MAY HINDER OUR ABILITY TO OBTAIN FUTURE FINANCING.

Our audited consolidated financial statements included in this Annual Report were prepared assuming that the Company will continue as a going concern. We have incurred operating losses, expect to continue to incur losses, and have not generated sufficient revenues since our inception. The Company’s accumulated deficit at December 31, 2007 was $65,381,861 (2006 - $33,814,171). If the Company is unable to achieve significant revenues in the future or secure alternative sources of capital or financing including milestone payments or product out-licensing, we will have inadequate funds to continue our existing corporate, administrative, and operational functions beyond the second quarter of 2008. 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.

Our ability to continue as a going concern is subject to our ability to generate revenues, a profit and/or obtain necessary funding from outside sources, including obtaining additional funding from the sale of our securities, increasing sales or obtaining loans and grants from various financial institutions where possible. The going concern uncertainty modification in the auditor's report increases the difficulty in meeting such goals and there can be no assurances that such methods will prove successful.

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

As at December 31, 2007, we had cash reserves, in cash, cash equivalents and short-term investments, of $2,575,248. On March 31, 2008, we had $1339,223 in cash, cash equivalents and short-term investments. In fiscal year ended December 31, 2007, we generated $2,283,769 in operating activities compared to a use of cash of $9,027,103 in fiscal year ended December 31, 2006 and $7,551,102 in fiscal year ended December 31, 2005.

Without additional funding and capital, we will have inadequate funds to continue our existing corporate, administrative, and operational functions beyond the second 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 $500,000. 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 strategic partners 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 sufficient and 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 enter into suitable licensing or partnering arrangements to commercialize our product candidates obtain regulatory approvals and bring product candidates to market in a timely manner. We have relied solely on equity and debt financing, government grants, and milestone payments from potential product out-licensing 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 our product candidates and to license or otherwise market our product candidates successfully. We may never commercialize an approved product and may have to rely on equity, debt financings and collaborative agreements 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 from inception to December 31, 2007 is $65,381,861. We expect to continue to incur significant operating losses as we continue our product-candidate research and development and potential clinical trials. These losses, among other things, have had and will continue to have an adverse effect on our shareholders' equity and working capital. Unless we are able to generate sufficient product revenue, we will continue to incur losses from operations and may not achieve or maintain profitability.

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.

WE EXPECT TO CONTINUE TO INCUR SIGNIFICANT EXPENSES.

We expect to continue to incur significant expenses connection with:

- the Chimigen™ Platform technology to develop therapeutic as well as prophylactic vaccines for the treatment of different viral diseases;

- our expenses will increase as we commence new preclinical and clinical trials as we progress existing product candidates to more advanced phases of pre-clinical and clinical development in the event that we are not able to obtain a licensing partner. The more advanced trials typically require more clinical trial participants, clinical trial sites and research investigators than earlier stage clinical trials and are consequently more expensive;

We also expect to incur significant general and administrative expenses in support of our increased operations as well as the ongoing costs to operate as a company listed on the American Stock Exchange ("AMEX") and on the Toronto Stock Exchange ("TSX").

Over the longer term, the costs referred to above will fluctuate, primarily dependant on the number and type of preclinical and clinical trials being undertaken at any one time and the number of regulatory marketing authorizations being sought. Costs will also increase if we are able to progress any product candidates from preclinical testing to clinical trials or if we are able to complete clinical trials in the event that we are not able to obtain a licensing partner of any product candidates and seek regulatory marketing authorizations.

WE WILL CONTINUE TO NEED SIGNIFICANT AMOUNTS OF ADDITIONAL CAPITAL THAT MAY NOT BE AVAILABLE TO US ON FAVORABLE TERMS OR AT ALL OR WHICH MAY BE DILUTIVE.

To date, we have funded our operations and capital expenditures with proceeds from the sale of our securities, government grants and interest on investments.

In order to achieve our goal of being a successful biotechnology company and to conduct the lengthy and expensive research, preclinical studies, clinical trials, regulatory approval process, manufacture, sales and marketing necessary to complete the full development of our product candidates, we may require substantial additional funds in addition to the funds received in connection with the United States ("U.S.") private offerings and the various Canadian placements completed in 2006. In April 2008, we expect to file a final short form prospectus for a rights offering. The subscription price has not yet been determined and will be equal to the weighted average of the closing price of the Company's common shares on the TSX for each of the trading days on which there was a closing price during the three trading days immediately preceding the date of the final prospectus in respect of the offering, less a discount of 25%. The Company has applied to list on the TSX the rights distributed under the short form prospectus and the shares issuable upon the exercise of the rights. Approval of such listing will be subject to the Company fulfilling all of the listing requirements of the TSX. The Company has applied to list the shares issuable upon the exercise of the rights (but not the rights themselves) on the AMEX. Approval of such listings will be subject to the Company fulfilling all of the listing requirements of the AMEX. The offering will only be available to existing shareholders on the, as yet to be determined, record date. The Company anticipates raising net proceeds of approximately CDN$5 million dollars which translates to approximately 12 to 18 months of operating capital.

To further meet our financing requirements, we may raise funds through public or private equity offerings, debt financings, and through other means, including collaborations and license agreements. Raising additional funds by issuing equity or convertible debt securities may cause our shareholders to experience significant additional dilution in their ownership interests. Raising additional funds through debt financing, if available, may involve covenants that restrict our business activities. Additional funding may not be available to us on favorable terms, or at all. If we are unable to obtain additional funds, we may be forced to delay, reduce the scope of or terminate preclinical and/or clinical trials and the development, manufacturing and marketing of our products. To the extent that we raise additional funds through collaborations and licensing arrangements, we may have to relinquish valuable rights and

control over our technologies, research programs or product candidates, or grant licenses on terms that may not be favorable to us.

IF WE FAIL TO OBTAIN ADDITIONAL FINANCING, WE MAY BE UNABLE TO FUND OUR OPERATIONS AND COMMERCIALIZE OUR PRODUCT CANDIDATES.

The Company's focus in 2008-2009 is to concentrate its internal resources on bringing additional Chimigen™ Platform Vaccines into development, as well as working on establishing a partnership for the development and commercialization of Occlusin™ 500 Artificial Embolization Device ("AED") in Europe and / or Asia. ViRexx will also seek partnerships to move the AIT™ Platform strategy forward, both in the clinical and pre-clinical areas. Analysis of the past trials will lay the foundation for any future trials of OvaRex® MAb in conjunction with front-line chemotherapy. A number of companies have expressed interest in partnering with ViRexx to work on several of the other MAbs in the AIT™ Platform. We believe that our existing cash, cash equivalents and short-term investments will be sufficient to meet our projected operating requirements only through to the second quarter of 2008.

Our future funding requirements will depend on many factors, including:

- the scope, results, rate of progress, timing and costs of preclinical studies and clinical trials and other development activities. Specifically, the funding requirements for clinical trials of Occlusin™ 500 AED and Occlusin™ 50 Injection. The funding requirements for the preclinical testing and potential future clinical testing of our earlier-stage product candidates and any other testing that we may initiate are also significant. As a result, we will be looking to partner these product candidates prior to initiating Phase II clinical trials and /or funding selected projects based on funding availability;

- the costs and timing of seeking and obtaining regulatory approvals;

- the costs of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights;

- the costs of developing sales and marketing capabilities and establishing distribution capabilities;

- the cost of developing our commercial-scale capabilities;

- the cost of additional management, scientific, manufacturing, and sales and marketing personnel. We may be required to increase the number of our personnel over time;

- the terms, timing and cash requirements of any future acquisitions, collaborative arrangements, licensing of product candidates or investing in businesses, product candidates and technologies;

- the costs of securing coverage, payment and reimbursement of our product candidates, if any of our product candidates receive regulatory approval; and

- the effects of competing clinical, technological and market developments.

If we are not able to secure additional funding when needed, we may have to delay, reduce the scope of, or eliminate one or more of our clinical trials or research and development programs or future commercialization efforts.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

WE ARE IN THE EARLY STAGES OF DEVELOPING PRODUCT CANDIDATES. 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 DERIVE ANY MEANINGFUL REVENUES. UNLESS WE ARE ABLE TO GENERATE SUFFICIENT PRODUCT REVENUE, WE WILL CONTINUE TO INCUR LOSSES FROM OPERATIONS AND MAY NOT ACHIEVE OR MAINTAIN PROFITABILITY AND WE WILL HAVE TO CEASE OPERATIONS.

Some of 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 Chimigen™ Vaccines, tumor starvation therapies and monoclonal antibody 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 is not predictive of future results. The scientific theories, upon which our business is based, like all science, will evolve over time and become increasingly predictive of the world in which we live. One potential consequence of imperfect theories may be that we will never be able to create a marketable product. If we are unable to do so, we will not generate revenues, will have to cease operations, and investors will be at risk of losing their entire investment.

In addition, it takes a significant period of time for new vaccines, medical devices and therapeutic drugs and monoclonal antibody therapies, 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 have 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 product candidates advance to commercialization, we expect that research will identify other potential candidates for development.

WE RELY ON, AND INTEND IN THE FUTURE TO CONTINUE TO RELY ON, TECHNOLOGY 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 could 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 continually evaluate our technology to determine whether to make further patent filings and rely significantly upon proprietary technology. We protect our intellectual property through patents, copyrights, trademarks, trade secrets and contractual agreements as appropriate. We own or exclusively license 9 issued U.S. patents having expiration dates ranging from 2016 to 2021. As we develop our product candidates, we may discover additional patentable subject matter that we may elect to prosecute.

Prior to filing a patent, data developed by the Company or its licensees is held in confidence, which confidence is secured by contractual arrangement. From time to time management may make a determination that superior economic gain may be attained by perpetually protecting an invention as a trade secret rather than disclosing it in a patent application. Inventions held as trade secrets can be independently discovered 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 lose value and our business will be irreparably 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.

Having patents issued does not guarantee that our business activities are not infringing intellectual property rights of third parties. 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 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 U.S. pursuant to the Food, Drug, and Cosmetic Act and related regulations. We must

receive 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, European Medicines Agency ("EMEA") 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 in the U.S. as current Good Manufacturing Practices ("cGMP"). 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, agencies 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, EMEA, or comparable agencies 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 the U.S., Canada, Europe, 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.

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, EMEA, and 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 these preclinical tests 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 clinical 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 FDA, Health Canada, EMEA, or other regulatory agency clearance to begin patient treatment in a clinical trial. A common issue in conducting a clinical trial is that delays encountered in the enrollment of patients may significantly prolong the length of time required to conduct the 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. Such outcomes may adversely affect the approvability of the potential product by regulatory agencies. Similarly, clinical trials may show that an investigational product causes unacceptable adverse events in the patient population to be treated with the drug.

Historically, the results from preclinical testing and from early clinical trials have not always 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, Health Canada and EMEA may impose specific

standards on the evaluation of disease response in individual patients which may differ from those anticipated by ViRexx or its clinical advisors. These different standards may lead the regulatory agency to conclude that study subjects receiving any of our product candidates have had a more modest clinical response than that determined by 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;
(b) we may discover that our product candidates, alone or in combination with another therapy, do 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 FDA and EMEA have granted OvaRex® MAb Orphan Drug Status for its use in ovarian cancer, this status does not diminish any of the requirements for market approval. Orphan Drug status in the U.S. provides seven year market exclusivity and ten years in Europe. 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 this or any 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.

For internally funded clinical trials and due to the associated high costs, a delay 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. Delays in obtaining clinical trial results will also delay profitability from commercialization of any given product candidate and accordingly negatively effect our 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 regulatory agencies require that we comply with standards, commonly referred to as Good Clinical Practice ("GCP") 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 GCP, 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 GCP 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.

THERE ARE RISKS INHERENT IN RELYING ON 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 ARE DEPENDENT ON STRATEGIC PARTNERS, SUCH AS THE SIGMA TAU GROUP OF COMPANIES, AS PART OF OUR PRODUCT CANDIDATE DEVELOPMENT STRATEGY, AND WE WOULD BE NEGATIVELY AFFECTED IF WE ARE NOT ABLE TO INITIATE OR MAINTAIN THESE RELATIONSHIPS.

In November 2006, ViRexx International Corp. ("International") entered into a License and Supply Agreement with Defiante Farmaceutica, Lda. ("Defiante"), a subsidiary of Sigma Tau Farmaceutica ("Sigma Tau") for the marketing of OvaRex® MAb for certain unlicensed countries in Europe. At the same time, International entered into a Manufacturing and Supply Agreement with Tecnogen S.C.p.A ("Tecnogen"), another subsidiary of Sigma Tau, for Tecnogen to manufacture OvaRex® MAb for most of Europe and the Middle East.

Once some of our product candidates advance to a Phase II clinical trial stage, we intend to enter into strategic partnerships whereby third parties will finance further clinical development. 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 we have licensed product 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 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.

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

We are, or could rely upon various collaborators or contract manufacturing organizations (CMOs) for manufacturing of product candidate from all three of our technology platforms. These collaborators and CMOs are not our

employees and we cannot control, other than by contract, the amount of resources, including time that they devote to the manufacture of our product candidates. If independent manufacturers fail to devote sufficient resources to manufacture of our product candidates, or if their performance is substandard, these factors may delay any possible approval and commercialization of our product candidates.

Further, most regulatory agencies require that we comply with standards, commonly referred to as Good Manufacturing Practice ("GMP") for manufacturing product candidates that will be used in human clinical trials or for commercial sale to assure that each batch of the product candidate are of consistent quality.

If our independent manufacturers fail to comply with GMP, the clinical development of our product candidates could be delayed or halted. The failure of independent manufacturers to meet their obligations to us or comply with GMP 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.

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 payers, 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 depend on our licensees for their sales, marketing, or distribution capabilities, and therefore must rely on these third parties to perform these services optimally.

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 candidates do not favorably 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 biotechnology companies. Our 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 that 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 AFFECT OUR ABILITY TO SUCCESSFULLY SELL OR LICENSE ANY PHARMACEUTICAL PRODUCT CANDIDATE.

If any of our potential products are approved for commercialization by national pharmaceutical regulatory authorities, the extent of sales will depend upon the availability of reimbursement from third-party payers such as Medicare in the U.S. 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 requirements. 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 payers 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 U.S., 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 parties 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 government 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 U.S.

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 and biotechnology companies as well as universities and research institutes, is intense and is expected to increase. Many of these competitors have substantially greater research and development capabilities, more experience in manufacturing and marketing, as well as superior 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 indication as do our products. 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 little 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 that we will be able to do so.

WE ARE RELIANT ON KEY COLLABORATORS AND ON KEY EMPLOYEES, OUR SENIOR EXECUTIVES AND QUALIFIED MANAGERS, EMPLOYEES AND TECHNOLOGISTS, WHOSE DEPARTURES OR LOSS COULD LIMIT OUR GROWTH AND MAY HAVE A MATERIAL ADVERSE IMPACT ON OUR BUSINESS AND OPERATIONS.

The Corporation's ability to develop the product will depend, to a great extent, on its ability to attract and retain highly qualified scientific personnel and to develop and maintain relationships with leading research institutions. Competition for such personnel and relationships is intense. There can be no assurance that we will be able to retain and attract qualified individuals currently or in the future on acceptable terms, or at all. The Corporation is highly dependent on the principal members of its management staff as well as its advisors and collaborators, the loss of whose services might impede the achievement of development objectives. The persons working with the Corporation are affected by a number of influences outside of the control of the Corporation. The loss of key employees and/or key collaborators may affect the speed and success of product development. In addition, we do not maintain "key person" life insurance on any officer, employee or collaborator.

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 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 conditions have been detrimentally affected in any material way 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 manufacturing clinical products, are in U.S. dollars or currencies other than Canadian dollars. As at December 31, 2007, approximately 60% of our payments made in relation to accounts payable were made in Canadian dollars, approximately 40% were made in U.S. dollars. Currency fluctuations could, therefore, cause our costs to increase and revenues to decline. The exchange rates of the Canadian dollar to the U.S. dollar, the British pound and the European Euro have fluctuated in recent years. In circumstances where the Canadian dollar devalues against any or all of the U.S. dollar, the British pound or the European Euro, this may have an adverse effect on our costs incurred in either the U.S. or Europe (as

applicable) but may have a positive effect on any revenues which we source from the U.S. or Europe (as applicable). The same principles apply in respect of our costs and revenues in other jurisdictions. In addition, if we manufacture some of our product candidates outside of Canada, this could expose us to potential cost increases resulting from fluctuations in exchange rates. We do not currently have any plans to hedge the effect of currency fluctuations on our overseas expenditures. We manage our currency risks by settling foreign currency payables immediately upon recognition of a foreign currency liability.

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 involve trials on humans. These studies create a risk of liability for side effects to participants resulting from an adverse reaction to the product candidates 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 but it 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.

17

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

Chimigen™ Platform

Since the Chimigen™ Vaccines incorporate a portion of a murine (foreign) antibody fragment, it is possible that patients receiving a Chimigen™ Vaccine could develop an anaphylactic adverse event similar to that discussed for the AIT™ platform below. This risk is mitigated somewhat by the completion of the 15 patient Phase I safety trial which showed the benign safety profile of the Chimigen™ Hepatitis Therapeutic Vaccine candidate CHB-111 (formerly called HepaVaxx B Vaccine). In addition, Chimigen™ Vaccines are designed to induce both humoral and cellular immune responses against the viral antigen epitope(s) contained in the vaccine. These immune responses can lead to the death of cells infected with the target virus. Patients chronically infected with hepatitis B or C viruses could suffer adverse events associated with the destruction of liver cells following immunization with a Chimigen™ Vaccine such as a Chimigen™ HBV Therapeutic Vaccine or Chimigen™ Hepatitis C Therapeutic Vaccine. This could be important in patients that have impaired liver function and could render a patient ineligible to receive a Chimigen™ Platform-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 to other locations in the body. This risk is mitigated by the limited Clinical Trial Phase I safety data on Occlusin™ 50 Injection showing the absence of serious adverse off-target thrombic events. Another potential risk is that with Occlusin™ product candidates, injected material could reach the systemic circulation through arterio-venous shunts in the target vasculature. These risks are mitigated using angiographic imaging of the target blood vessels prior to treatment.

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 adverse event upon exposure to this foreign antibody. This risk is tempered by preliminary studies with OvaRex® MAb in more than 700 ovarian cancer patients demonstrating a benign safety profile for this product candidate.

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

WE FACE COSTS ASSOCIATED WITH IMPORTING OUR PRODUCTS INTO MARKETS OUTSIDE OF CANADA.

We may face difficulties importing our products into various jurisdictions as a result of, among other things, import inspections, incomplete or inaccurate import documentation or defective packaging. There will be increased costs associated with importing/exporting our product.

IF THERE ARE FEWER INDIVIDUALS IN OUR TARGET MARKETS THAN WE ESTIMATE, WE MAY NOT GENERATE SUFFICIENT REVENUES TO CONTINUE DEVELOPMENT OF OUR PRODUCT CANDIDATES OR CONTINUE OPERATIONS.

Our estimate of the patient population of our target markets is based on published studies as well as internal analyses and studies we have commissioned. If the results of these studies or our analysis of them do not accurately reflect the number of patients in our target markets, our assessment of the market may be wrong, making it difficult or impossible for us to meet our revenue goals. In addition, it is difficult to determine the portion of the patient population that might use our other product candidates.

WE MAY NEED TO SIGNIFICANTLY INCREASE THE SIZE OF OUR ORGANIZATION, AND WE MAY EXPERIENCE DIFFICULTIES IN MANAGING GROWTH.

We are currently a small company with 19 full time employees as of December 31, 2007. In order to continue our preclinical and clinical trials and commercialize our product candidates, we may need to increase our operations, including expanding our employee base. Our future financial performance and our ability to commercialize our products and to compete effectively will depend, in part, on our ability to manage any future growth effectively. To that end, we must be able to:

- manage our preclinical and clinical trials effectively;
- undertake and manage the manufacturing of products effectively;
- undertake and manage sales and marketing effectively;
- integrate current and additional management, administrative, financial and sales and marketing personnel;

- develop our administrative, accounting and management information systems and controls; and
- hire, retain and train additional qualified personnel.

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 U.S.. Except for two 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 U.S.. As a result, it may not be possible for shareholders to enforce against us or them in the U.S. 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.

Our Board of Directors 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 the AMEX, has experienced significant volatility and will likely continue to do so, which has been or could be in response to numerous factors, including:

(a) macroeconomic factors such as a change in interest rates;
(b) quarterly variations in operating results;
(c) market conditions in the industry;
(d) announcements of results of testing, technological innovations;
(e) 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;
(f) announcements of acquisitions;
(g) general fluctuations in the stock market; and
(h) 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.

From January 1, 2005, to December 31, 2007, the trading price of our common shares has ranged from a low of CDN$0.06 per share to a high of CDN$1.62 per share on the TSX and from December 22, 2005, to December 31, 2007, it has ranged from U.S. $0.06 to U.S. $1.43 per share on the AMEX.

During 2007 and the first three months of 2008, an average of approximately 113,390 and 59,186 of our shares traded per day on the TSX and AMEX respectively. 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 U.S. Sarbanes-Oxley Act of 2002 and Canadian Securities Administrators Multilateral Instrument 52-109 “Certification of Disclosure in Issuers’ Annual and Interim Filings” (“52-109”), costs in connection with other provisions of the Sarbanes-Oxley Act and 52-109, AMEX listing fees and potentially higher director and officer insurance premiums. 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 Securities Exchange Act of 1934 could make it more difficult for us to attract and retain qualified individuals to serve on our Board of Directors or as our 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 U.S. Also, although we are subject to Canadian regulation prohibiting selective disclosure, we are not required to comply with SEC Regulation FD, which may affect the timing of material disclosure regarding the Company.

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, telephone: (780) 433-4411 and our registered office is located at 1500 Manulife Place, 10180 - 101 Street, Edmonton, Alberta, Canada T5J 4K1. Our common shares are listed and posted for trading on the TSX under the symbol “VIR” and the 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 TSX Venture Exchange (“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 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 ("Original ViRexx") under the ABCA on August 1, 2002. On August 1, 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. on October 30, 2000 and was continued into the Province of Alberta as a corporation subject to the ABCA on May 31, 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. 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 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.

On December 22, 2005, our common shares were listed on the AMEX. In 2006, we incorporated our wholly owned subsidiary named ViRexx International Corp. Limited under the laws of Ireland.

21

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

	2007	2006	2005
Laboratory Equipment	$ 133,095	$ 22,960	$ 5,783
Leasehold Improvements	-	-	2,125
Office Furniture & Equipment	4,650	8,440	44,310
Computer Hardware	8,050	37,812	56,600
Computer Software	3,695	23,272	23,173
	$ 149,490	$ 92,484	$ 131,991

The expenditures were incurred in Canada; we expect to finance the capital expenditures from cash generated in financing activities.

During the year ended December 31, 2007 and currently, we are not engaged in any public takeover offers by third parties in respect of the Company's shares or in respect of another company's shares.

B. Business Overview

ViRexx is a Canadian development-stage biotechnology company focused on targeted therapeutic products for people suffering from chronic viral infections or certain cancers.

ViRexx's proprietary Chimigen™ Vaccine Platform is being used to develop immunotherapeutic agents for the treatment of patients with chronic hepatitis B and C virus infections. The platform is also used to develop biodefense vaccines, pandemic influenza vaccines and targeted bionanoparticles. The Corporation is developing Occlusin™ 50 Injection embolization therapy for the treatment of liver cancer and Occlusin™ 500 AED for the treatment of uterine fibroids. OvaRex® MAb, an ovarian cancer treatment, is currently being considered for front-line therapy in combination with chemotherapy, following its failure to meet its clinical endpoints in recent Phase III trials as a stand alone treatment in terminally ill patients.

Products

The Corporation's product candidates referred to above can be categorized using ViRexx's three technology platforms.

1. The Chimigen™ Platform is a proprietary platform developed at ViRexx to generate therapeutic and prophylactic vaccines for major infectious diseases that have high unmet needs. These vaccines are designed to stimulate broad immune responses towards specifically targeted viral and foreign antigens. Using this novel platform, the Corporation is developing product candidates for the treatment of chronic hepatitis B and hepatitis C virus infections, which afflict hundreds of millions of people worldwide, as well as vaccines targeting pandemic influenza, and weaponized biological agents.

2. The T-ACT™ Platform includes embolotherapeutic product candidates designed to cut off the blood supply to tumors by targeted transcatheter delivery. ViRexx is developing Occlusin™ 50 Injection for the treatment of primary liver cancer and Occlusin™ 500 AED for the treatment of uterine fibroids. Both agents utilize biocompatible / biodegradable materials to induce targeted embolization of the arterial blood supply.

3. The AIT™ Platform has resulted in the development of unique murine monoclonal antibody treatments specifically designed for certain cancers, including Ovarian (OvaRex® MAb), Breast (BrevaRex® MAb), Prostate (ProstaRex™

MAb) and Gastrointestinal (GivaRex™ MAb) malignancies.

Chimigen™ Platform Technology

The Chimigen™ Platform is a versatile platform technology that has been used to produce several immunotherapeutic products and prophylactic vaccines candidates. The Corporation is focused on developing product candidates as therapeutic agents for the treatment of chronic hepatitis B and C virus infections. In 2006, ViRexx completed a Phase I clinical trial of its initial Chimigen™ Hepatitis B Therapeutic Vaccine candidate, CHB111 (formerly called HepaVaxx B Vaccine), in 15 normal, healthy volunteers. There was no significant adverse event associated with the treatment. The evaluation of the immune responses in these volunteers to the treatment with a single dose of CHB111 revealed no significant humoral or cellular responses elicited by the vaccination.

The Corporation has identified a promising new Chimigen™ Hepatitis B Therapeutic Vaccine, which includes multiple antigens shown to be involved in a therapeutic immune response in patients who cleared hepatitis B virus infection. ViRexx hopes to initiate a clinical trial for its Chimigen™ Hepatitis B Therapeutic Vaccine with a partner in the second half of 2009. ViRexx's Chimigen™ Hepatitis C Therapeutic Vaccine is being developed for the treatment of chronic hepatitis C infection. The Corporation currently has two ex vivo tested vaccine candidates in this program. Continued efforts in 2008 will be directed towards the final selection of a Chimigen™ Hepatitis C Therapeutic Vaccine candidate for clinical testing.

Partnering discussions have been initiated for Chimigen™ Hepatitis B Therapeutic Vaccine. Specifically, ViRexx is targeting potential partners with a strong presence in Asia, especially India and China where almost three quarters of the world's chronic hepatitis B sufferers live. ViRexx will also seek a global partner for development and commercialization of its Chimigen™ Hepatitis C Therapeutic Vaccine.
The other product candidates include Chimigen™ Avian Influenza vaccines against pandemic influenza, Chimigen™ biodefense vaccines against biological threat agents, and development of immune-targeted bionanoparticles. Several potential Chimigen™ Avian Influenza Vaccine candidates have been produced and are being evaluated for their efficacy.

In collaboration with the Defense Research and Development Canada-Suffield ("DRDC-Suffield"), ViRexx is evaluating Chimigen™ Vaccines for use in biodefense. In this program, the Corporation is focusing on two candidate vaccines for Western Equine Encephalitis Virus ("WEEV"). Based on the results from these studies, the Corporation was encouraged to apply for a biodefense development contract, which was submitted to National Institutes of Health ("NIH"), USA in January 2008. The application is under review and the result is awaited.

Looking toward its next generation Chimigen™ Platform products, the Corporation has established research collaboration with the National Institute of Nanotechnology for developing targeted bionanoparticles using the Chimigen™ Platform. If successful, Chimigen™ Bionanoparticle technology could be used for targeting immune cells to modulate specific pathways of immune responses and also for use in siRNA delivery and immunomodulator vaccine development.

T-ACT™ Platform Technology

The T-ACT™ Platform is designed to interrupt blood supply to tumors, leading to tumor tissue starvation and death. The lead product candidate of the T-ACT™ Platform, Occlusin™ 50 Injection, is a treatment for primary cancer of the liver. In August 2007 the Corporation completed a Phase I clinical trial treating 12 hepatocellular carcinoma patients with Occlusin™ 50 Injection as part of a transcatheter arterial chemoembolization ("TACE") procedure. The adverse events

profile of the product was similar to that of commercially available embolization devices. Significant tumor stability was achieved in 11 patients and progression occurred in 1 patient following treatment. This TACE procedure translates to a clinical benefit of over 90%, with three patients stabilized sufficiently to qualify for a liver transplant. TACE is the treatment of choice to control tumor progression in patients who are being considered for liver transplantation. Liver transplantation is the optimal treatment for primary cancer of the liver in selected patients because it essentially "cures" the liver cancer and any underlying liver disease that might lead to the reappearance of the cancer. Unlike other embolic agents OcclusinTM 50 is resorbable, and does not remain permanently in the body; it is reversible with anti-coagulant therapy thus enhancing its off-target safety profile, and it produces rapid embolization with relatively smaller volumes of agent that is easily prepared and which does not clog angiocatheters. Occlusin™ 50 Injection partnering discussions have been initiated with companies interested in Occlusin™ 50 Injection. Specifically, ViRexx is evaluating potential partners interested in licensing Occlusin™ 50 Injection for Asia, as the prevalence of liver cancer is much higher in Asia than anywhere else in the world.

The second product candidate of the T-ACT™ Platform is the Occlusin™ 500 AED, an embolic agent designed to treat hypervascular tumors including uterine fibroids. This device is delivered by catheter to the blood vessels feeding the tissue to be treated. Unlike other embolic agents, Occlusin™ 500 AED undergoes natural breakdown in the body and ultimately disappears. ViRexx is continuing preclinical testing of this product candidate and has also completed the production of two Good Manufacturing Practice ("GMP") batches of the product. Exploration of new manufacturing methods of Occlusin™ 500 AED to increase efficiency of production is in progress. Occlusin™ 500 AED will be developed as a medical device for marketing clearance, and the Corporation plans to file a 510(k) Pre-Market Notification.
Partnering discussions are currently underway with parties interested in developing and commercializing Occlusin™ 500 AED. Clinical studies could be started in the second half of 2009 and marketing clearance in United States in early 2011, or earlier.

AIT™ Platform Technology

The lead product candidates from the AIT™ Platform include OvaRex® MAb for ovarian cancer, and BrevaRex® MAb for breast cancer. OvaRex® MAb was the subject of one Phase II study examining combination chemo-immunotherapy in front-line treatment, and two randomized, double-blind and placebo controlled Phase III clinical trials examining immunotherapy during remission.

The Phase III trials were designed to compare OvaRex® MAb to placebo by evaluating the time to disease relapse in patients in remission who had undergone successful surgery and front-line chemotherapy. The results of these Phase III trials released in December of 2007 indicated that while the use of OvaRex® MAb was safe, the outcomes for the patients who were treated were not statistically significant. Consequently Unither Pharmaceuticals, Inc. ("Unither") a subsidiary of United Therapeutics Corporation ("United"), to whom ViRexx, through its wholly owned subsidiary AltaRex, had granted exclusive rights for development and commercialization of OvaRex® MAb, announced they were abandoning development and commercialization of OvaRex® MAb and related potential products. The License and Development Agreement has been terminated and ViRexx has repatriated the development and commercialization rights for all AIT™ Platform products. Unither/United has returned to ViRexx all data and other material associated with the development and commercialization of OvaRex® MAb. The scientists at ViRexx in conjunction with outside independent parties are currently evaluating the data and the assumptions underlying the program prior to determining the next steps in the development of this product and the effect of this on related technologies.

The Phase II study referred to above showed promising results for the use of OvaRex® MAb in conjunction with front-line chemotherapy. Not only was OvaRex® MAb safe to use in this new setting, but cellular immune responses to the tumor antigen were seen. The use of non-selective chemotherapy combined with targeted immunotherapy is

being recognized as a new cancer treatment paradigm by the medical community. This new treatment mode represents an exciting partnering opportunity and ViRexx is pursuing discussions with several interested parties.

The combination chemo-immunotherapy model is also being discussed in the context of a Phase II clinical trial which may be initiated jointly by ViRexx and the Gynaecologic Oncology Group ("GOG") in 2008. The trial, if and when it proceeds, will explore the use of OvaRex® MAb in conjunction with cyclophosphamide, a chemotherapeutic drug known to have immune modulating effects. To enroll, patients must have relapsed and undergone a second round of chemotherapy. This trial will seek to broaden our experience in using combination chemo-immunotherapy in treating ovarian cancer.

BrevaRex® MAb is a high affinity antibody specific to the tumor associated antigen, MUC-1, which is present in cancers of the breast and pancreas as well as in multiple myelomas. BrevaRex® MAb was shown to be safe in a Phase I clinical trial in patients with MUC-1 expressing tumors. ViRexx has worldwide rights for licensing BrevaRex® MAb, with established license agreements for some European territories. The remaining antibodies in the AIT™ Platform include ProstaRex™ MAb and GivaRex™ MAb, both in the pre-clinical stage targeting prostate and pancreatic cancer respectively.

Discussions are ongoing between ViRexx and interested parties to determine the best strategy for proceeding with development and commercialization of the AIT™ Platform product pipeline.

Product Candidate Pipeline

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

Business Strategy

ViRexx's business strategy is to develop and commercialize therapeutic product candidates originating from its Chimigen™, T-ACT™ and AIT™ platform technologies in a timely and effective manner. The Corporation plans to build value by advancing its Chimigen™ Therapeutic Vaccines through pre-clinical and Phase I/II clinical trials. As well, ViRexx will pursue strategic partnering and licensing opportunities for its non-core programs, specifically Occlusin™ 50 Injection and Occlusin™ 500 AED, OvaRex® MAb and CHB111.

The Corporation’s strategic plan includes the following:

- New leadership with significant relevant industry experience to drive performance and provide networks for collaborations and partnering;
- Focus research expenditures on near term product opportunities;
- Control and focus expenditures on longer term opportunities to build strong development and commercialization opportunities;
- Aggressive partnering plan for late stage clinical candidate, medical device & oncology products;
- Focus overall expenditures to minimize the level of additional capital required; and
- Direct efforts to clear value creating milestones in 2008 and 2009.

Key Milestones

The Corporation’s strategic plan calls for the achievement of a number of significant milestones over the next 12 months:

- Completion of data review and assessment of the AIT™ Platform development strategy;
- Initiation of a Phase II clinical trial in collaboration with the GOG examining OvaRex® MAb in conjunction with cyclophosphamide in ovarian cancer patients who have relapsed and undergone a second round of chemotherapy;
- Establish a partnership for the development and commercialization of Occlusin™ products in Europe and / or Asia;
- Establish partnership for development and commercialization of OvaRex® MAb as front-line therapy in Europe;
- Demonstrate in vivo efficacy of Chimigen™ WEEV Vaccine in preclinical models;
- Demonstrate in vivo immune response to multiantigen Chimigen™ Hepatitis B Therapeutic Vaccine in preclinical models;
- Demonstrate ex vivo immunological efficacy of Chimigen™ Influenza Vaccine in laboratory assays; and

- Implement Chimigen™ WEEV Vaccine development plan, should NIH funding be received.

The Corporation's focus in 2008-2009 is to concentrate its internal resources on moving the Chimigen™ Hepatitis B Therapeutic Vaccine and Hepatitis C Therapeutic Vaccine into development. In order to leverage external resources, ViRexx will also seek to establish partnerships for development and commercialization of its Occlusin™ 500 AED and Occlusin™ 50 Injection.

ViRexx will also seek partnerships to move the AIT™ Platform strategy forward, both in the clinical and pre-clinical areas. Analysis of the past trials will lay the foundation for any future trials of OvaRex® MAb in conjunction with front-line chemotherapy. A number of companies have expressed interest in partnering with ViRexx to work on several of the other MAbs in the AIT™ Platform pipeline.

Chimigen™ Platform Technology

Technology Overview

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

(a) The humoral (antibody) response, which consists of the production of antibodies by B-cells that are secreted into the blood and/or lymph in response to an antigenic stimulus. The circulating antibodies then neutralize 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.
(b) The cellular response, which leads to the selection and expansion of specific helper and killer T-cell clones capable of directly eliminating cells that display the target antigen on their cell surfaces.

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 infection. As a result, the host will develop tolerance to the infectious agent and thus the individual will become a chronic carrier of the disease.

Chimigen™ fusion proteins are compromised of 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. The vaccine fusion proteins are produced using recombinant methods. Our recombinant technology allows for efficient fusion of a desired antigen (the Immune Response Domain) onto the Target Binding Domain backbone of the Chimigen™ Vaccine. This enhances our ability to produce highly desirable multivalent vaccines. Thus the Chimigen™ Platform is a true platform that lends itself to the development of multiple products incorporating antigens that occur in a number of disease conditions including cancer.

We are in the process of testing the ability of our Chimigen™ Vaccines to induce both arms of the body's immune system to attack the infectious agent(s) in order to develop therapeutic vaccines for treating chronic hepatitis B and C virus infections. We anticipate that the tests will show the Chimigen™ Therapeutic Vaccines will break tolerance to the infectious agent(s) and stimulate the immune system to eliminate infected cells as well as any circulating infectious agent. We are also testing our Chimigen™ Prophylactic Vaccine candidates against avian influenza and for biodefence uses.

Chimigen™ Hepatitis B Therapeutic Vaccine candidates

Product Candidate Overview

ViRexx has completed a Phase I clinical trial for its initial Chimigen™ Hepatitis B Therapeutic Vaccine candidate, CHB-111 (formerly called HepaVaxx B Vaccine), in 15 normal, healthy volunteers. There were no significant adverse events associated with the treatment. The evaluation of the immune responses in these volunteers to the treatment with a single dose of the CHB-111 revealed no significant humoral or cellular responses elicited by the vaccination. ViRexx has identified a new Chimigen™ Hepatitis B Virus Therapeutic Vaccine candidate, which includes multiple antigens shown to be involved in a therapeutic immune response in clearance of chronic hepatitis B virus infection.

Market Overview

The market for ViRexx's Chimigen™ Therapeutic Vaccines is global as shown in the chart below:

Hepatitis B Virus Market Size

	Globally	U.S.
People Chronically Infected	400 million	1.25 million
New Cases Per Year	5.7 million	60,000

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 world wide have been infected with the hepatitis B Virus ("HBV") of whom approximately 400 million have developed a chronic HBV infection.

The virus is endemic in Asia, (especially Southeast Asia), Africa, and the Middle East. About 5% of the world's population is chronic carriers of HBV, and nearly 25% of all carriers develop liver diseases such as hepatitis, cirrhosis and primary liver cancer (See Figure "Natural Course of HBV Chronic Infection). Approximately 1.25 million chronic carriers of HBV live in the U.S. and an estimated 5.7 million people worldwide are newly infected with the virus each year. There are approximately one million deaths each year attributed to chronic HBV infection.

Competition

Numerous companies including several major international pharmaceutical companies are developing new and novel products for the treatment or prevention of chronic hepatitis B. 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, (d) vaccines (e.g., hepatitis B DNA vaccine), (e) antivirals using siRNA technology and (f) 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 frequently do not permanently cure the patient of hepatitis B viral 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 DNA. In contrast, we believe that Chimigen™ Hepatitis B Therapeutic Vaccines 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 harbor hepatitis B viral DNA.

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 who had an immune response to the virus prior to initiating treatment with the antiviral agent. We believe that the immune responses induced by Chimigen™ Hepatitis B Therapeutic Vaccine will increase the effectiveness of antiviral therapy when used in combination with antiviral agents such as lamivudine.

Chimigen™ Hepatitis C Therapeutic Vaccine Candidates

Product Candidate Overview

Chimigen™ Hepatitis C Therapeutic Vaccines are being developed for the treatment of chronic hepatitis C viral infections. These vaccine candidates consist of a recombinant chimeric molecule containing the elements of both HCV viral antigen(s) and a murine antibody fragment. The fusion molecules are designed to target antigen presenting cells, especially dendritic cells that play a dominant role in the body's immune system. Currently, there are two ex vivo tested Chimigen™ Hepatitis C Therapeutic Vaccine candidates. Continued efforts in 2008 are directed to the final selection of a Chimigen™ Hepatitis C Therapeutic Vaccine candidate for clinical testing.

Market Overview

The market for ViRexx's Chimigen™ HCV Therapeutic Vaccine is global.

HCV Market Size

	Globally	U.S.
People Chronically Infected	170 million	3.2 million
New Cases Per Year	3-4 million	19,000

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 are infected with HIV) and conservatively 3 to 4 million people are newly infected each year. (Source: WHO Fact Sheet WHO/164 - October 2000.)

An estimated 4.1 million people have been infected with HCV in the U.S., of whom 3.2 million are chronically infected. According to the U.S. Center 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 19,000 in 2006. 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: Center for Disease Control Hepatitis C Fact Sheet (2008).

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 via blood 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 primary indication for liver transplantation. The CDC has previously 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. Approximately 75% to 85% of individuals infected with HCV will develop a chronic infection, of whom 15% to 20% will develop chronic liver disease progressing to cirrhosis. Between 1% and 5% of people with chronic infections will die over a period of 20 to 30 years. Predictions in the U.S. estimate that there will be a 60% increase in the incidence of cirrhosis, a 68% increase in hepatoma, a 279% increase in hepatic decomposition, 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 utilizes a combination of interferon- and ribavirin. However, this combination is expensive, has significant side effects and is only effective in approximately 40% of patients. The epidemic proportions of HCV infection, the limited efficacy and expensive nature of approved therapeutics, the high cost of liver transplants (about $314,000 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 Chimigen™ Hepatitis C Therapeutic Vaccine will be defined through the clinical development process. We believe the Chimigen™ Vaccine Platform can potentially be used to develop a prophylactic vaccine against hepatitis C infection as well as a therapeutic vaccine.

Competition

Numerous companies, including major international pharmaceutical companies (e.g. Roche, Schering-Plough, and Eli Lilly), are 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, (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 / BILN2061, VX-950), (h) polymerase inhibitors (e.g. NM283) and (i) other strategies (e.g. human recombinant lactoferrin).

Among these developmental strategies, the biological response modifiers (“BRMs”) (e.g. interferon-) have promise for treatment of hepatitis C infection. 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 cells harboring HCV. Although BRMs such as interferon- 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, based on CHB-111 studies, that the adverse side effect profile associated with treatment of chronic hepatitis C patients with a Chimigen™ Hepatitis C Therapeutic Vaccine may be very mild. Furthermore, we believe, based on studies of various Chimigen vaccine candidates, that a Chimigen™ Hepatitis C Therapeutic Vaccine will elicit both humoral and cellular immune responses in chronic hepatitis C patients that may eliminate the HCV 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 ("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 has been approved in North American and Europe.

F. Hoffman-La Roche Ltd. :

Hoffman-La Roche Ltd. ("Roche") has a therapeutic for the treatment of HCV infections. In a head-to-head Phase III clinical trial, it was found that patients treated with Roche's PEG interferon -2a or Pegasys®, combined with 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) 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 ideal. (Source: Fields Virology (2000) Volumes I and II (Fourth Edition).

There are also a number of drugs under development, such as Vertex's VX-950 protease inhibitor and Idenix's NM283 polymerase inhibitor, that have shown great promise during Phase II clinical testing. These drugs are being developed rapidly in collaboration with major pharmaceutical partners. If approved, they may re-define the standard of care for the treatment of HCV infections. We believe approval of these small molecule drugs will not affect the market share for ViRexx products as they would be complementary to any vaccine use, and additionally, resistance is known to develop readily with small molecule anti-viral agents.

T-ACT™ Platform Technology

Technology Overview

It has long been known that depriving a tumor of its blood supply has great potential in the fight against cancer and in the treatment of benign tumors. Many large pharmaceutical companies conducting clinical studies have clearly established the concept that cutting off the blood supply to tumors 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. We believe that the Occlusin™ product candidates are ideal for utilizing this approach as a treatment for uterine fibroids (a benign tumor) and hepatocellular carcinoma (primary cancer of the liver).

Our Occlusin™ product candidates are based on site-specific platelet-mediated induction of thrombosis of the arterial supply of hypervascular tumors. Occlusin™ 50 Injection is a biological product that utilizes von Willebrand Factor ("VWF") immobilized to agglutinated albumin. VWF is able to capture and activate circulating platelets, initiating a cascade leading to the formation of a blood clot that blocks the flow of blood in the target artery. Occlusin™ 500 AED

is a medical device in which type 1 collagen is immobilized on a deformable synthetic bead. Both Occlusin™ 50 Injection and Occlusin™ 500 AED are made from biocompatible materials that will degrade naturally in the body with time. Both products can be delivered directly to the artery desired using standard catheters.

Occlusin™ Product Candidates

Product Candidate Overview

The lead product candidate of the T-ACT™ platform, Occlusin™ 50 Injection is a treatment for primary cancer of the liver, which has completed a Phase I clinical trial. A second product candidate, Occlusin™ 500 AED, is in preclinical development for the treatment of uterine fibroids and other solid hypervascular tumors.

The Company has completed a Phase I clinical trial using Occlusin™ 50 Injection to treat 12 hepatocellular carcinoma patients with as part of a transcatheter arterial chemoembolization ("TACE") procedure. The adverse events profile of the product was similar to that of commercially available embolization devices. Tumor stability was achieved in 11 patients and progression occurred in 1 patient following treatment. Three patients stabilized sufficiently to qualify for a liver transplant. We are currently seeking a partner to continue development of Occlusin™ 50 Injection in Asia.

The second product candidate of the T-ACT™ Platform is the Occlusin™ 500 AED, an embolic agent designed to treat hypervascular tumors including uterine fibroids. This device is delivered by catheter to the blood vessels feeding the tissue to be treated. ViRexx is continuing preclinical testing of this product candidate. Partnering discussions are currently underway with parties interested in developing and commercializing Occlusin™ 500 AED. Clinical studies could be started in the second half of 2009 and marketing clearance in United States in early 2011, or earlier.

Market Overview

The Occlusin™ product candidate indications, primary liver cancer and uterine fibroids constitute a global market.

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

	Globally	U.S.
New Cases per year	626,162	21,370

Source: GLOBOCAN 2002

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

According to GLOBOCAN 2002, the worldwide incidence of primary liver cancer was estimated to be 626,162 cases and, of these, over 485,462 were located in Asia, 16,210 in North America and 53,618 in Europe. The number of patients who died worldwide from primary liver cancer in 2006 was estimated to be 662,000. ViRexx will determine the target market for its Occlusion™ 50 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 10.8%. The five year survival rate of American patients diagnosed with localized liver cancer is 22.3% and a mere 2.8% 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 5%. (Source: American Cancer Society, Cancer Facts and Figures 2008)

Uterine Fibroid Market Size

	Globally	U.S.
Prevalence	20% - 40% of women >35 years of age	> 24.5 million
Target Market of the 200,000 hysterectomies performed annually to relieve debilitating symptoms of uterine fibroids	20% experience debilitating symptoms	> 2.5 million

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

Uterine fibroids, also called leiomyomas, are benign tumors 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 (0.25 inch) to 8 inches in diameter. While most women with fibroids are symptom-free, approximately 10% to 20% experience prolonged bleeding, which can lead to anemia 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 labor. 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% (2.5 million women) experience severe debilitating effects. Corresponding numbers of women in the rest of the world are similarly afflicted. ViRexx will determine the target market for its Occlusion™ 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, uterine artery embolization (“UAE”) is a minimally invasive technique delivered as an outpatient procedure with minimal recovery time.

UAE involves the delivery of tiny embolic microspheres to the blood vessel (the uterine artery) feeding the fibroid. The microspheres are delivered by catheter and function to block the blood flow to these benign tumors. Once the blood supply is cut off, the fibroids shrink resulting in symptom relief.

A publication in the New England Journal of Medicine (January 25, 2007) comparing treatments for uterine fibroids underlined the benefits of UAE over surgery (hysterectomy or myomectomy). The UAE group had a shorter median stay in hospital (1 versus 5 days; $p<.001$) and a shorter recovery time before returning to work (20 days versus 61 days; $p<0.001$) in comparison to the surgery group. There was no difference in major adverse events between the two groups.

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 tumors.

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. Biospheres' embolic device for the treatment of liver cancer has recently been approved for sale in China.

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 catheter through which the particles are delivered.

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.

Occlusin™ particles physically cause a blockage of blood flow in the treated vessel, as do all embolic agents. However, Occlusin™ particles also bind and activate platelets which lead to the consolidation of the blood clot and a therefore more efficient blockage of blood flow.

AIT™ Platform Technology

Technology Overview

The Corporation's antibody-based AIT™ products are designed to induce the immune system to recognize a patient's circulating tumor antigens as foreign, thereby triggering the immune system to respond to and attack the antigens and the cells that display them. The resulting robust response encompasses both the humoral (antibody-based) and cellular (T-cell based) arms of the immune system. Circulating tumor antigens are ideal targets for antibody-based immunostimulation since they are readily available for processing by the antigen-presenting cells of the immune system.

Harnessing the Immune System

Monoclonal antibodies (MAbs) were once thought to be magic bullets that would bind to tumor cells and thereby deliver therapeutic entities to a tumor. One of the historical challenges to the monoclonal antibody (MAb) field has been the natural shedding by tumors of antigens into the bloodstream. Once in circulation, these shed tumor antigens bind to the MAbs before they reach their intended destination (the tumor). When select monoclonal antibodies bind to the antigen in circulation, our antibodies trigger the immune system to recognize and bind to epitopes of the antigen which are also found on the tumor cells. Research by ViRexx has further demonstrated that our antibody-based products facilitate and modify tumor antigen processing to trigger T-cell immunity.

Competition within the AIT™ Space

While numerous companies are developing and marketing monoclonal antibodies to treat cancers, to the best of our knowledge there is no known competition at present using a treatment approach similar that of the AIT™ platform technology. The Corporation has issued patents and patents pending protecting the AIT™ technology.

OvaRex® MAb

Product Candidate Overview

OvaRex® MAb is a murine antibody-based product that has a high degree of specificity to the tumor associated antigen CA125 that is over-expressed on tumor cells in more than 80% of women with stage III/IV ovarian cancer. We believe that OvaRex® MAb acts as an immunotherapeutic agent by inducing and/or amplifying the body's immune response against ovarian cancer.

OvaRex® MAb

§ Fully foreign monoclonal antibody (MAb) that selectively targets CA125, a tumor associated antigen that is present in the circulation of more than 80% of late stage ovarian cancer patients
§ Induces broad immune responses against CA125 and consequently against the patient's CA125 positive ovarian tumors
§ In Phase II of clinical development
§ Benign safety profile and good quality of life during treatment
§ Granted Orphan Drug status in U.S. and Europe and Fast Track status in U.S.

A Phase II study was recently completed that showed promising results for the use of OvaRex® MAb in conjunction with front-line chemotherapy. Not only was OvaRex® MAb safe to use in this setting, but cellular immune responses to the tumor antigen were seen. The use of non-selective chemotherapy combined with targeted immunotherapy is gaining ground as a new cancer treatment paradigm by the medical community. As previously mentioned, ViRexx and the GOG will undertake a Phase II study in 2008 examining the use of OvaRex® MAb in conjunction with cyclophosphamide pretreatment in relapsed patients. This study will broaden our experience in using combination in the use of chemo-immunotherapy in treating ovarian cancer.

Market Overview

Ovarian cancer is a malignant growth originating in the ovaries of 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 3% of all cancers among women in the U.S. It is the second most common gynecological cancer and according to statistics compiled by the American Cancer Society ("ACS"). Specifically, the ACS estimates that there were 22,430 new cases and 15,280 deaths resulting from ovarian cancer in 2007 in the U.S. The Canadian Cancer Society has estimated about 2,400 new cases of ovarian cancer were diagnosed in Canadian women, last year and 1,700 died due to this disease over the same period.

The Orphan Drug Designation for OvaRex® MAb affords 7 years exclusivity from approval to market in the U.S. and 10 years marketing exclusivity in Europe.

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, approximately 75% of ovarian cancers are diagnosed in the later stages. The therapeutic approach prescribed to patients whose tumors have

progressed to an advanced stage consists of surgery followed by adjuvant chemotherapy. Currently, the most common chemotherapy for patients with newly diagnosed ovarian cancer is carboplatin (Paraplatin®) or cisplatin (Platinol®) in combination with a taxane such as paclitaxel (Taxol®). 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. 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.

BrevaRex® MAb

Product Candidate Overview

BrevaRex® MAb is a murine antibody-based product that has a high degree of specificity to the tumor associated antigen MUC-1 that is over-expressed on tumor cells in numerous cancers including breast cancer, pancreatic cancer and multiple myeloma. Like OvaRex® MAb, we believe, based on pre-clinical studies, BrevaRex® MAb acts as an immunotherapeutic agent by inducing and/or amplifying the human body's immune response against MUC-1 expressing cancers.

BrevaRex® MAb

§ Fully foreign monoclonal antibody (MAb) that targets MUC-1, a tumor associated antigen that is expressed in breast and pancreatic cancers as well as in multiple myeloma
§ Induces broad immune responses against MUC-1 and consequently against the patient's MUC-1 positive tumors
§ Beginning Phase II clinical development
§ Benign safety profile and good quality of life during treatment

In a Phase I clinical trial in patients with advanced cancers that expressed MUC-1, BrevaRex® MAb was shown to be safe and to have induced MUC-1 specific immune responses in the patients. Preclinical studies of BrevaRex® MAb also suggest that this antibody may be effective when used alone or used in combination with specific chemotherapeutic agents.

Market Overview

Breast cancer has the largest market potential for BrevaRex® MAb. In the U.S. approximately 184,450 new cases will occur in 2008 in both sexes (ACS Cancer Facts and Figures 2008). World wide, breast cancer is the most common cancer in women (World Cancer Report 2003). Although there have been major advances in the treatment of breast cancer, there remains no cure for this disease.

Treatment

Currently, breast cancer treatment involves surgery for localized tumors followed by hormonal therapy, chemotherapy and if needed, radiotherapy and, if needed tyrosine kinase inhibitors and HER-2 therapy (e.g, Herceptin). The ability to stimulate the patient's own immune system to target breast cancer through the use of BrevaRex® MAb would be a significant advance in treatment. Whether BrevaRex® MAb will be used as a monotherapy or in combination with chemotherapy has yet to be fully assessed.

ProstaRex ™ MAb and GivaRex ™ MAb

Both of these product candidates are in the pre-clinical stage targeting prostate and pancreatic cancer respectively.

Intellectual Property Protection

ViRexx relies upon patent protection and trademarks to help it plan its future activities, preserve 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

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. 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.

Although, in most circumstances, we cannot prevent a person from violating the terms of any confidential disclosure agreement, we can seek restitution where it is justified. 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. Furthermore, by seeking patent protection in various countries, important technical information will become available to our competitors, through publication of such patent applications. If we are unable to obtain patent claims commensurate with the disclosure we have provided, the disclosure of company secrets is nonetheless irretrievable.

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 97 issued patents and 142 pending patent applications relating to our various technologies in the U.S., Canada, the European Union (“EU”), and other countries. The expiry date of the nine patents granted to us in the U.S. fall between 2016 and 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, an administrative term extension, 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.

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, and indeed their examiners, vary in their approaches 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. Accordingly, we may not be granted patents claims of meaningful scope based on the applications we have filed. We cannot warrant that our pending patent applications will result in patents being granted, that we will develop additional proprietary product candidates with features that will fall within the scope of our claims, 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 U.S. We cannot warrant 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 compositions, 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 Oncothyreon Inc. (formerly Biomira Inc.) for OvaRex® MAb. The license agreement generally requires ViRexx to pay royalties upon commercialization of potential products covered by the licensed technology.

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 some 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 were 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 warrant 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 AltaRex and Oncothyreon Inc. (formerly Biomira Inc.) dated November 24, 1995, we are responsible for the maintenance of certain existing patents and the prosecution of all patent applications related to the licensed technology while Oncothyreon Inc. is responsible for others.

Economic Dependence and Foreign Operations

Some of 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 Chimigen™ Vaccines, tumor starvation therapies and monoclonal antibody 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 is not predictive of future results. The scientific theories, upon which our business is based, like all science, will evolve over time and become increasingly predictive of the world in which we live. One potential consequence of imperfect theories may be that we will never be able to create a marketable product. If we are unable to do so, we will not generate revenues, will have to cease operations, and investors will be at risk of losing their entire investment.

In addition, it takes a significant period of time for new vaccines, medical devices and therapeutic drugs and monoclonal antibody therapies, 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 have 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 product candidates advance to commercialization, we expect that research will identify other potential candidates for development.

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 could 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.

Government Regulation and Product Approval

Regulation by governmental authorities in the U.S. and other countries is a significant factor in the development, manufacture and marketing of pharmaceuticals. All of our products will require regulatory approval by governmental agencies prior to commercialization. In particular, pharmaceutical drugs are subject to rigorous preclinical testing and clinical trials and other premarketing approval requirements by the FDA and regulatory authorities in other countries. In the U.S., various federal, and in some cases state statutes and regulations, also govern or impact upon the manufacturing, safety, labeling and storage, recordkeeping and marketing of pharmaceutical products. The lengthy process of seeking required approvals and the continuing need for compliance with applicable statutes and regulations require the expenditure of substantial resources. Regulatory approval, when and if obtained for any of our product candidates, may be limited in scope which may significantly limit the indicated uses for which our product candidates may be marketed. Further, approved drugs and manufacturers are subject to ongoing review and discovery of previously unknown problems that may result in restrictions on their manufacture, sale or use or in their withdrawal from the market.

Preclinical Studies

Before testing any compounds with potential therapeutic value in human subjects in the U.S., stringent government requirements for preclinical data must be satisfied. Preclinical testing includes both in vitro and in vivo laboratory evaluation and characterization of the safety and efficacy of a drug and its formulation. Preclinical testing results obtained from studies in several animal species, as well as from in vitro studies, are submitted to the FDA as part of an Investigational New Drug Application, or IND, and are reviewed by the FDA prior to the commencement of human clinical trials. These preclinical data must provide an adequate basis for evaluating both the safety and the scientific rationale for the initial trials in human volunteers.

Clinical Trials

If a company wants to test a new drug in humans in the U.S., an IND must be prepared and filed with the FDA. The IND becomes effective if not rejected or put on clinical hold by the FDA within 30 days. In addition, an Institutional Review Board comprised in part of physicians at the hospital or clinic where the proposed trials will be conducted must review and approve the trial protocol and monitor the trial on an ongoing basis. The FDA may, at any time during the 30-day period or at any time thereafter, impose a clinical hold on proposed or ongoing clinical trials. If the FDA imposes a clinical hold, clinical trials cannot commence or recommence without FDA authorization and then only under terms authorized by the FDA. In some instances, the IND application process can result in substantial delay and expense.

Clinical Trial Phases

Clinical trials typically are conducted in three sequential phases, phases I, II and III, with phase IV trials potentially conducted after marketing approval. These phases may be compressed, may overlap or may be omitted in some circumstances.

- Phase I clinical trials. These trials evaluate a drug's safety profile, and the range of safe dosages that can be administered to healthy volunteers and/or patients, including the maximum tolerated dose that can be given to a trial subject with the target disease or condition. Phase I trials also determine how a drug is absorbed, distributed, metabolized and excreted by the body, and duration of its action.

- Phase II clinical trials. Phase II clinical trials typically are designed to evaluate the potential effectiveness of the drug in patients and to further ascertain the safety of the drug at the dosage given in a larger patient population.

- Phase III clinical trials. In phase III clinical trials, the drug is usually tested in a controlled, randomized trial comparing the investigational new drug to an approved form of therapy in an expanded and well-defined patient population and at multiple clinical sites. The goal of these trials is to obtain definitive statistical evidence of safety and effectiveness of the investigational new drug regime as compared to an approved standard therapy in defined patient populations with a given disease and stage of illness.

All clinical trials for our product candidates have been conducted in accordance with Health Canada regulations and guidelines, which satisfy FDA regulations above, particularly the ICH (International Conference On Harmonization of Technical Requirements for Registration of Pharmaceuticals For Human Use) Harmonized Tripartite Guideline "Good Clinical Practice: Consolidated Guideline".

New Drug Application

After completion of clinical trials, if there is substantial evidence that the drug is safe and effective, a New Drug Application, or NDA, is prepared and submitted for the FDA to review. The NDA must contain all of the essential information on the drug gathered to that date, including data from preclinical and clinical trials, and the content and format of an NDA must conform to all FDA guidelines. Accordingly, the preparation and submission of an NDA is a major undertaking for a company.

The FDA reviews all NDAs submitted before it accepts them for filing or may request additional information from the sponsor rather than accepting an NDA for filing. In such an event, the NDA must be submitted with the additional information and, again, is subject to review before filing. Once the submission is accepted for filing, the FDA begins an in-depth review of the NDA. Typically, the FDA takes ten months to review and respond to the NDA. The FDA may refer the application to an appropriate advisory committee, typically a panel of clinicians, for review, evaluation and a recommendation as to whether the application should be approved. The FDA is not bound by the recommendation, but gives great weight to it. If the FDA evaluations of both the NDA and the manufacturing facilities are favorable, the FDA may issue either an approval letter or a non-approval letter, which usually contains a number of conditions that must be satisfied in order to secure final approval. If the FDA's evaluation of the NDA submission or manufacturing facility is not favorable, the FDA may issue a non-approvable letter or refuse to approve the NDA.

Other Regulatory Requirements

Any products we manufacture or distribute under FDA approvals are subject to continuous regulation by the FDA, including recordkeeping requirements and reporting of adverse experiences with the products. Drug manufacturers and their subcontractors are required to register with the FDA and, where appropriate, state agencies, and are subject to periodic unannounced inspections by the FDA and state agencies for compliance with current GMP regulations, which impose procedural and documentation requirements upon us and any third party manufacturers we utilize.

The FDA closely regulates the marketing and promotion of drugs. A company can make only those claims relating to safety and efficacy that are approved by the FDA. Failure to comply with these requirements can result in adverse publicity, warning letters, corrective advertising and potential civil and criminal penalties. Physicians may prescribe legally available drugs for uses that are not described in the product's labeling and that differ from those tested by us and approved by the FDA. Such off-label uses are common across medical specialties. Physicians may believe that such off-label uses are the best treatment for many patients in varied circumstances. The FDA does not regulate the behavior of physicians in their choice of treatments. The FDA does, however, restrict manufacturer's communications on the subject of off-label use.

The FDA's policies may change or additional government regulations may be enacted that could prevent or delay regulatory approval of our product candidates or approval of new indications for any existing products. We cannot predict the likelihood, nature or extent of adverse governmental regulations that might arise from future legislative or administrative action, either in the U.S. or abroad.

We received an orphan drug designation for OvaRex® MAb from the FDA in November 1996 for its use in the treatment of ovarian cancer. Under the Orphan Drug Act, the FDA may grant orphan drug designation to drugs intended to treat a rare disease or condition that affects fewer than 200,000 individuals in the U.S. Orphan drug designation must be requested before submitting an NDA. After the FDA grants the orphan drug designation, the identity of the applicant and the orphan-designated therapeutic agent are disclosed publicly by the FDA. EMEA in July 2002 also granted an orphan drug designation for OvaRex® MAb for its use in the treatment of ovarian cancer in Europe.

Orphan drug designation does not convey any advantage in or shorten the duration of the regulatory review and approval process. If a product that has orphan drug designation is the first such product to receive FDA approval for the disease for which it has such designation, the product is entitled to orphan product exclusivity, which means that the FDA may not approve any other applications to market the same drug for the same disease, except in limited circumstances, for seven years in the U.S. This market exclusivity lasts for 10 years in the EU. The FDA may permit additional companies to market a drug for the designated condition if such companies can demonstrate clinical superiority. More than one product may also be approved by the FDA for the same orphan indication or disease as long as the products are different drugs. As a result, the FDA can still approve other drugs for use in treating the same indication or disease covered by OvaRex® MAb, which could create a more competitive market for us. Moreover, if a

competitor obtains approval of the same drug for the same indication or disease before us, we would be blocked from obtaining approval for our product in the U.S. for seven years, unless our product can be shown to be clinically superior.

Foreign Regulation

In addition to regulations in the U.S., we will be subject to a variety of foreign regulations governing clinical trials and commercial sales and distribution of our products. Whether or not we obtain FDA approval for a product, we must obtain approval of a product by the comparable regulatory authorities of foreign countries before we can commence clinical trials or marketing of the product in those countries. The approval process varies from country to country, and the time may be longer or shorter than that required for FDA approval. The requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary greatly from country to country.

Under EU regulatory systems, marketing authorizations may be submitted under centralized procedure, a mutual recognition procedure, or a decentralized procedure. The centralized procedure provides for the grant of a single marketing authorization that is valid for all European Union member states. The decentralized procedure provides for a joint assessment of safety and efficacy by a number of EU member states. The mutual recognition procedure provides for mutual recognition of national approval decisions. Under this procedure, the member state approving the first marketing authorization within the EU submits an application for recognition to other EU member states. Within 90 days of receipt of the application and the first member state's report of the assessment of the drug, the other member states are supposed to recognize the marketing authorization of the first member state. If one or more member states believe that there is a potential serious risk to public health, and they cannot reach agreement on the approval of the product the application is referred to the Committee for Human Medicinal Products (CHMP), for arbitration. The CHMP is a scientific expert committee of EMEA. EMEA is responsible for the protection of public health in the EU through the coordination and evaluation and supervision of medicinal products, including administering the centralized procedure and performing a more limited role in the mutual recognition procedures. After member states agree to mutual recognition of the first marketing authorization, national marketing authorizations must still be issued in each member state which recognized it, including approval of translations, labeling and the like. All marketing authorization applications for drugs that have received the orphan drug designation must be submitted through the centralized procedure.

Legal Proceedings

The Company has received statements of claim filed in the Court of Queen's Bench of Alberta in May 2007 and February 2008 from three former employees and the former Chief Financial Officer relating to their termination or change in employment with the Company. The former employees and the former Chief Financial assert that they are entitled to additional pay, benefits and accelerated vesting of their stock options due to a change in control within the Company in 2007 or defamation or wrongful dismissal. The collective total of these claims is $1,939,750. ViRexx believes that these claims are without merit and intends to aggressively defend this position.

In February 2008, the Company proposed settlement of one of the claims for severance pay and wrongful dismissal filed by a former employee. The settlement amount was accrued in the December 31, 2007 audited consolidated financial statements.

Also, during February 2008 the Company has reached, but not yet finalized a settlement with Clarus Securities Ltd. ("Clarus") for damages for non-performance in regard to the cancellation of a $15,000,000 public offering. The proposed settlement includes a cash payment and warrants. The cash settlement amount was accrued in the December 31, 2007 audited consolidated financial statements. The issuance of the warrants will be recorded in the second quarter of 2008 once they are issued and the exercise price has been determined.

C. Organizational structure

Control of ViRexx

ViRexx has two wholly owned subsidiaries named AltaRex and International. AltaRex has one wholly owned inactive subsidiary named AltaRex U.S. Corp. ("AltaRex US"). AltaRex was incorporated under the laws of the Province of Alberta, Canada, International was incorporated under the laws of Ireland, and AltaRex US is a Delaware corporation. ViRexx Medical Corp. has 100% voting control of AltaRex and International. AltaRex has 100% voting control of AltaRex US.

D. Property and equipment

Our corporate headquarters are located at 8223 Roper Road, Edmonton, Alberta T6E 6S4 and our registered office is located at Suite 1500, Manulife Place, 10180-101 Street, Edmonton, Alberta T5J 4K1. We lease our corporate headquarters in Edmonton, Alberta under the following terms:

Annual base rent:	$ 115,885
Term expires:	May 31, 2011
Square footage:	13,244

We do not deem our lease 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 seven year-old office and laboratory space, which we have occupied for four years. 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 audited consolidated 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 on a straight-line basis over the term of the lease or the estimated useful lives of the assets.

4A. Unresolved Staff Comments

None

Item 5. Operating and Financial Review and Prospects

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to help the reader of the consolidated financial statements understand ViRexx Medical Corp. ("ViRexx" or "the Company"), our operations and our present business environment as of March 31, 2008. This MD&A should be read in conjunction with our December 31, 2007 audited consolidated financial statements and the accompanying notes thereto. These audited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Canadian GAAP differs in certain material respects from accounting principles generally accepted in the United States ("U.S. GAAP"). For a reconciliation and discussion of the principal differences between Canadian GAAP and U.S. GAAP as they pertain to ViRexx see Note 24 to the audited consolidated financial statements. Unless otherwise indicated, all amounts are expressed in Canadian dollars. This MD&A includes the following sections:

§ Our Business – a general description of our business including a brief overview of our product candidates; a corporate update; our outlook for 2008 and the general challenges and risks related to our business and industry.

§ Operations Review – an analysis of our consolidated results of operations presented in the audited consolidated financial statements for the year ended December 31, 2007 compared to the year ended December 31, 2006 and the year ended December 31, 2006 compared to the year ended December 31, 2005..

§ Liquidity, Capital Resources and Financial Position – an analysis of cash availability and cash flows; off-balance sheet arrangements and contractual obligations;

§ Controls and Procedures – an analysis of disclosure controls and procedures, as well as internal controls over financial reporting.

§ Critical Accounting Policies and Estimates – a discussion of significant accounting policies that require critical judgments and estimates, along with a discussion of the future impact of accounting standards that have been issued but are not yet effective.

OUR BUSINESS

ViRexx is a Canadian-based development-stage biotech company focused on developing innovative targeted therapeutic products that offer better quality of life and a renewed hope for living. Our platform technologies include product candidates for the treatment of hepatitis B, hepatitis C, avian influenza viral infections, biodefence and nanoparticle applications, select solid tumors and late-stage ovarian cancer.

We have currently three proprietary platform technologies: Chimigen™ Vaccines, targeted-autothrombogenic cancer therapy ("T-ACT™") and antibody-based immunotherapy ("AIT™"), all of which are based on the principle of harnessing th body's power to fight disease.

As at March 31, 2008, the Company had $1.3 million in cash, cash equivalents and short-term investments. We remain focused on advancing our technology platforms and securing the appropriate financing, collaboration and/or license agreements and continue to apply our limited resources to these activities. We have been working with our vendors to secure payment plans that meet our obligations while enabling us to focus our attention on the advancement of our technology platforms and our financing initiatives. Based on our current estimates and expected operating activities there are sufficient resources to carry the operations of the Company into the second quarter of 2008.

Chimigen™ Platform Technology

The Chimigen™ Platform technology is being used to develop therapeutic as well as prophylactic vaccines for the treatment of different viral diseases.

Two Chimigen™ HCV Therapeutic Vaccine candidates are currently being evaluated for scaled up production methods and immune responses in both ex vivo assays and in animals. Several avian influenza vaccine candidates have been produced using Chimigen™ Vaccine Platform and two potential candidates have been selected. These are currently being evaluated in laboratory studies, to be followed by evaluation in animal models.

Two Chimigen™ HBV Therapeutic Vaccine candidates are currently being evaluated for scaled up production methods and immune responses in laboratory studies.

ViRexx is continuing its research collaboration with Defence Research and Development Canada Suffield ("DRDC Suffield") and with National Research Council Canada's National Institute for Nanotechnology ("NINT") to study ViRexx's proprietary Chimigen™ Vaccine platform, with networking and financial contributions from the National Research Council of Canada Industrial Research Assistance Programme ("NRC-IRAP"). The DRDC Suffield collaboration is evaluating the use of Chimigen™ Vaccines for biodefence applications and the studies at NINT are evaluating the targeted nanoparticle properties of Chimigen™ Vaccines for various biomedical uses, including immunotherapy.

T-ACT™ Platform Technology

The T-ACT™ Platform technology is designed to cut off the blood supply to hypervascular tumors, leading to tumor tissue starvation and tumor death. The lead product candidate of the T-ACT™ Platform is Occlusin™ 50 Injection, a treatment for primary cancer of the liver. The Phase I study of Occlusin™ 50 Injection in liver cancer patients was completed in the third quarter of this year. The product was found to be safe, simple to administer, and effective as an embolic agent. There were no clinically important safety concerns related to treatment with Occlusin™ 50 Injection. Of the 12 patients treated with Occlusin™ 50 Injection as part of a transcatheter aterial chemoembolization ("TACE") procedure, three patients have undergone liver transplantation. TACE is the treatment of choice to control tumor

progression in patients who are being considered for liver transplantation. Liver transplantation is the optimal treatment for primary cancer of the liver in selected patients, because it essentially "cures" the liver cancer and any underlying liver disease that might lead to the reappearance of the cancer. Partnering discussions are ongoing with respect to this product candidate.

The second product candidate from the T-ACT™ Platform is Occlusin™ 500 Artificial Embolization Device ("AED"), an embolic agent designed to treat hypervascular tumors including uterine fibroids. This device is delivered by catheter to the blood vessels feeding the tissue to be treated. Unlike other embolic agents, Occlusin™ 500 AED undergoes natural break down in the body and ultimately disappears. We are continuing preclinical testing of this product candidate, which will likely be completed during the first half of 2008. We have also completed the production of two Good Manufacturing Practice ("GMP") batches of the product. Exploration of GMP manufacturing methods of Occlusin™ 500 AED to increase efficiency of product production are in progress.

AIT™ Platform Technology

On December 5, 2007, ViRexx announced the preliminary analysis of results from the two Phase III clinical trials of OvaRex® MAb for the treatment of advanced ovarian cancer and the results failed to reach statistical significance. The two identical Phase III trials, IMPACT I and IMPACT II, were randomized, double-blind, placebo-controlled trials conducted at over 60 centers across the United States. The studies enrolled 367 ovarian cancer patients and assessed the efficacy of OvaRex® mono-immunotherapy during the "watchful waiting" period following front-line chemotherapy. The studies demonstrated no difference between active (standard of care followed by OvaRex® MAb) and control (standard of care followed by placebo) treatment arms. The results of IMPACT I and IMPACT II were consistent with each other.

We are assessing fully the clinical trial results and the assumptions underlying the program prior to determining the next steps in the development of this product and the effect of this on related technologies. In addition, United Therapeutics Corporation announced they will terminate the development agreement with AltaRex Medical Corp. ("AltaRex"), a wholly owned subsidiary of ViRexx, for the entire platform of antibodies thereby consolidating world wide manufacturing and distribution rights back to AltaRex.

CORPORATE UPDATE

On February 14, 2007, and amended on February 21, 2007 a group of our shareholders (the "13D Group") filed a Schedule 13D with the United States Securities and Exchange Commission. The result of this filing was a change in the Board of Directors. Mr. Bruce Brydon, Mr. Jean-Claude Gonneau, Mr. Lorne Tyrrell and Mr. Tom Brown left the Board and Mr. Michael Marcus, Mr. Peter Smetek and Mr. Yves Cohen joined to serve as members of the Board of Directors. In addition, Mr. Peter Smetek was appointed as Interim Chief Executive Officer on May 3, 2007.

During the second quarter Mr. Marc Canton, former President and Chief Operating Officer, Mr. Lorne Tyrrell, former Chief Executive Officer, Mr. Scott Langille, former Chief Financial Officer and Mr. Jean-Paul Laurin, former Business Development Director, ended their employment with ViRexx.

In July 2007, Dr. Richard Ascione was appointed Interim Chief Scientific Officer. He has over 21 years experience with the National Institute of Health as Deputy Director of Laboratory Molecular Oncology and ten years of experience working with Aphton Corporation where he was Director of Research.

On September 21, 2007, Mr. Darrell Elliott was appointed a Director, Chairman of the Board of Directors and Interim Chief Executive Officer. Mr. Elliot has more than 35 years of experience in merchant banking, venture capital and analogous operating experiences in Africa, Europe and North America. He has served on numerous boards in both private and publicly traded companies.

On September 24, 2007, PricewaterhouseCoopers LLP, resigned on their own initiative, as our external auditors. The Audit Committee and the Board of Directors accepted their resignation. The related auditor's reports for the two years ended December 31, 2006 and 2005 did not contain any reservations as to departures from Canadian GAAP or limitations in scope. In connection with those two audits and through September 24, 2007, there were no reportable events requiring disclosure to regulatory authorities.

On October 30, 2007, Deloitte & Touche LLP was appointed as successor external auditor.

As announced on October 12, 2007, Mr. Erich Bam was appointed Interim Chief Operating Officer. Mr. Bam is a Chartered Accountant with more than 20 years of experience in the financing, development and management of both private and publicly traded companies. Most recently, Mr. Bam serves as a partner and Managing Director of Gemini Partners where he is responsible for sourcing and managing assignments.

In October 2007, Mr. Gary Woerz, the Company's former Chief Financial Officer, was relieved of responsibility for the day to day financial operations of the Company. Subsequently, Mr. Woerz filed a wrongful dismissal claim against the Company in the amount of $250,000 plus additional damages in February 2008. The Corporation is of the position that the claim is without merit and intends to defend the claim. Mr. Brent Johnston, CA, is currently the Acting Chief Financial Officer and is presently responsible for the day to day financial operations of the Company.

Other Updates

On October 17, 2007, we resolved and reconciled any misunderstanding related to costs associated with the set-up and renovation of a manufacturing facility of Tecnogen Farmaceutica Lda ("Tecnogen") related to OvaRex® MAb.

OUTLOOK

The rights to the AIT™ platform and its several antibodies, including OvaRex® MAb, which had been licensed to United Therapeutics Corporation, have been repatriated to ViRexx. ViRexx is completing an in depth evaluation of the data available from the clinical trial results and is also evaluating the possibility of commencing another trial, with an appropriate partner, for OvaRex® MAb in combination therapy, for which there appears to be supporting evidence.

The Company is actively investigating partnering interest in both Europe and China for its embolotherapeutic agent Occlusin™ 500 AED. These prospects are expected to be brought to a conclusion in the first half of 2008.

The Company is of the view that strong opportunities exist in Asian markets, where there is a high incidence of liver cancer, for the further development and commercialization of Occlusin™ 50 Injection. The Company will investigate the co-development of this therapeutic with a regional partner, by taking it into a pivotal trial in the Asian market.

The Company's Chimigen™ Platform has promise for the future. ViRexx is continuing to develop these novel immunotherapies for high value infectious disease markets. Over the next two years, the Company will increasingly focus its research and development efforts on advancing its current candidate Chimigen™ therapies into clinical development and seeking corporate partners at the appropriate time.

The Chimigen™ Platform has already produced one candidate, Chimigen™ Hepatitis B Vaccine, CHB-111 (formerly HepaVaxx B), which demonstrated safety in a clinical trial on August 9, 2006. The Company does not intend further to develop this particular candidate, independently, and is currently responding to a partnering enquiry.

The past year was a challenge for ViRexx, but the Company is optimistic about the future of its existing products as well as new relationships being put in place. The potential exists for medium term re-partnering of antibody candidates from the AIT™ Platform, on terms superior to the past and several of the Company's existing product candidates from its other two platforms are currently under active consideration by new potential partners. The year has resulted in a strong sharpening of the Company's focus and a keener understanding of its strengths.

The support of the Company's shareholders will be key as new management seeks to build upon the great inherent value within the Company and to maximize opportunities from its product candidates within the Company's Chimigen™ technology platforms. ViRexx was awarded the Alberta Science and Technology Leadership Foundation award in 2004 for technology innovation for this platform.

RISKS AND UNCERTAINTIES

The Company operates in a highly competitive environment that involves significant risks and uncertainties, many of which are outside of the Company's control. The Company is subject to risks inherent in the biotechnology industry as described in Item 3.D. of this Form 20-F, including:

Risks Related to the Company's Financial Condition

- The need to raise capital from investors to continue planned operations. If the Company is unable to fund operations, the Company may cease doing business.
- The Company has not derived any revenue to date from the commercial sale of its product candidates, nor had any revenues from other commercial sales; the Company has relied on equity and debt financings to support operations.
- The operating losses are expected to continue. If the Company is unable to achieve significant revenues in the future or secure alternative sources of capital or financing, the Company may cease doing business.
- The Company will continue to need significant amounts of additional capital that may not be available to the Company on favorable terms, and may be dilutive.
- The Company may fail to obtain additional financing and be unable to fund operations and commercialize its product candidates.

Risks Related to the Company's Business and Operations

- The Company is in various stages of development of product candidates and unless it is able to generate sufficient product revenue from these candidates, the Company will continue to incur losses from operations and may not achieve or maintain profitability and may have to cease operations.
- The Company relies on, and intends in the future to continue to rely on revenue from technology licenses with or issued to third parties. Any breach or termination of these license arrangements could have a material adverse effect on the business, financial condition and results of operations.
    - Failure to protect intellectual property, or infringement on the intellectual property rights of others, may impede the Company's ability to operate freely.
- The Company's business is subject to significant government regulation and failure to achieve regulatory approval of drug candidates would severely harm its business.
    - The Company is dependent on the successful outcome of preclinical testing and clinical trials.
- Delays in clinical trials will cause the Company to incur additional costs which could jeopardize the trials and adversely affect the Company's liquidity and financial results.
- The Company relies on clinical investigators and contract research organizations to conduct its clinical trials.

- There are risks inherent in relying on a sole source supplier for some of the Company's materials.
- The Company is dependent on strategic partners as part of its product candidate development strategy, and it would be negatively affected if it is not able to initiate or maintain these relationships.
- The Company relies on collaborative arrangements for manufacturing its investigational drug products and product candidates.
- The Company is required to comply with regulations that are administered by regulatory authorities in the United States, Europe and Canada.
- Even if product candidates receive all of the required regulatory approvals, there is no guarantee of market acceptance or commercialization of the resulting product candidates, which will be determined by the Company's sales, marketing and distribution capabilities and the positioning and competitiveness of its product candidates compared with any alternatives.
- Reimbursement procedures and future healthcare reform measures are uncertain and may adversely affect the Company's ability to successfully sell or license any pharmaceutical product candidate.
- Competitive products and technologies may reduce demand for the Company's product candidates and technologies.
- The Company's industry is characterized by rapid change and a failure by the Company to react to these changes could have a material adverse effect on its business.
- If the Company fails to hire or retain needed personnel, the implementation of its business plan could slow and future growth could suffer.
- The Company is reliant on key employees and strategic relationships.
- The Company conducts certain elements of its business internationally, and the decisions of sovereign governments could have a material adverse effect on its financial condition.
- The Company's operating results may be subject to currency fluctuations as some of its expenses are in U.S. dollars or other foreign currencies.
- The Company's insurance may not be sufficient, exposing the Company to potential loss from litigation. Claims related to product candidates in clinical studies and product liability could also increase its expenses, harm its reputation and keep it from growing its business.
- Hazardous materials that are highly regulated may expose the Company to potential liability in the event of an accident therefore; compliance with environmental regulations could be costly in the future.
- Although the Company is not aware of any, at present, it is possible that the Chimigen™, T-ACT™ and AIT™ Platforms might cause unknown adverse side effects or cause undesirable reactions that would affect their market potential.

- If there are fewer individuals in the Company's target markets than the Company estimates, then it may not generate sufficient revenues to continue development of its product candidates or continue operations.
- The Company may need to significantly increase the size of its organization, and it may experience difficulties in managing growth.

Risks Relating to the Company's Common Shares

- The Company has not paid, and does not intend to pay any cash dividends on its common shares and therefore its shareholders may not be able to receive a return on their shares unless they sell them.
- The market price and trading volume of the Company's common shares may be volatile.
- The significant costs that the Company will incur as a result of being a public company in the United States and Canada could adversely affect its business.

The Company is also subject to other risks inherent in the biotechnology industry. The Company's financial results will fluctuate from period to period and therefore are not necessarily meaningful and should not be relied upon as an indication of future financial performance. Such fluctuations in quarterly results or other factors beyond the Company's control could affect the market price of its common stock. These factors include changes in earnings

estimates by analysts, market conditions in our industry, announcements by competitors, changes in pharmaceutical and biotechnology industries, and general economic conditions. Any effect on its common stock could be unrelated to longer-term operating performance.

OPERATIONS REVIEW

	For year ended December 31		
	2007	2006	2005
Canadian GAAP			
Revenue	-	-	-
Research and development expense	$4,760,560	$5,937,122	$4,750,190
Corporate administration expense	4,947,487	4,976,837	3,650,282
Impairment of acquired intellectual property	(24,991,344)	-	-
Net loss and comprehensive loss	(31,567,690)	(17,493,375)	(7,459,714)
Basic and diluted loss per common share	(0.43)	(0.25)	(0.13)
Cash and cash equivalents and short-term investments	$2,575,248	$10,742,191	$5,571,850
U.S. GAAP net loss and comprehensive loss	(9,545,235)	(10,694,110)	(8,460,699)
U.S. GAAP basic and diluted loss per common share	$(0.13)	$(0.16)	$(0.15)

For the year ended December 31, 2007, the net loss was $31,567,690 or ($0.43) per common share, as compared to $17,493,375 or ($0.25) per common share for the year ended December 31, 2006. The $14,074,315 increase in net loss is mainly attributable to the following, as more fully described in the following sections.

- Impairment of acquired intellectual property and related future income tax recovery.
- Decrease in overall research and development costs due to lower clinical trial costs and employee related expenditures that were partially offset by manufacturing costs related to the Occlusin™ 500 AED and facility start up costs related to the Tecnogen manufacturing facility.
- Lower corporate administration costs that were partially offset by increased costs due to the 13D filing and related legal and consulting fees.

During the year ended December 31, 2007, research and development costs for the Chimigen™ Platform were offset by a $226,545 financial contribution from the NRC-IRAP.

Research and Development

	For year ended December 31		
	2007	2006	2005
Contract research costs	$ 338,223	$ 628,240	$ 410,052
Clinical trial costs	98,529	477,364	104,692
Clinical material manufacturing costs	575,611	386,216	861,064
Employee related costs	1,650,067	2,554,289	2,068,468
Other research and development costs	2,098,130	1,891,013	1,305,914
	$ 4,760,560	$ 5,937,122	$ 4,750,190

Research and development expenses for the year ended December 31, 2007, were $4,760,560 compared to $5,937,122 for the year ended 2006, a decrease of $1,176,562 or 20%.

This decrease in research and development spending can be attributed to the following factors.

Contract research costs were lower in 2007 due to a one time toxicology study being done in non-human primates in 2006 that cost $396,000. Additional contract research costs of $181,000 were incurred in 2007 related to stability testing of the GMP manufactured product for Occlusin™ 500 AED and a mouse study performed in collaboration with Vaccine and Infectious Disease Organization ("VIDO") related to the Chimigen™ vaccines.

Decreased clinical trial costs compared to the same period in 2006 is due to the completion of the Phase I clinical studies of Chimigen™ Hepatitis B Vaccine, which cost $335,000 in 2006.

Clinical material manufacturing costs increased $189,395 compared to 2006 due to the following:

- GMP manufacturing for the Occlusin™ 500 AED was started in September 2006 and ended in June 2007. Costs of $311,000 were incurred that were not incurred 2006;

- In 2005, Protein Sciences Corporation was contracted for the GMP manufacturing of Chimigen™ Hepatitis B Vaccine, formerly HepaVaxx B, which completed a Phase I safety clinical trial in humans. Final costs and completion of the contract occurred early in 2006. There was no similar GMP manufacturing in 2007; and

- One time various microbial and viral tests on the cell banks which cost $30,000 for the AIT™ Platform were conducted in 2006 that were not performed in 2007.

The decrease in employee related costs of $904,222 is primarily due to the staff reductions as a result of the November 2006 restructuring and allocation of certain executive costs. In April 2007, the Alberta Heritage Foundation for Medical Research ("AHFMR") - Industrial Research Fellowship granted funding of $37,500. There was no funding received in 2006.

Other research and development costs increased in 2007 due to resolution of the start-up and renovation of the Tecnogen manufacturing facility of $354,545.

Research and development expenses for the year ended December 31, 2006 totaled $5,937,122, an increase of $1,186,932 from $4,750,190 for the corresponding year ended December 31, 2005. This increase was due primarily to additional toxicology testing for the Chimigen™ Hepatitis B Vaccine clinical studies, development of Occlusin™ 500 AED, development of Occlusin™ 50 Injection, preclinical studies for a Chimigen™ Vaccine candidate for Hepatitis C, development for Chimigen™ Vaccines for biodefence applications and initiating manufacturing activities in Europe for OvaRex® MAb.

Corporate Administration

	For year ended December 31		
	2007	2006	2005
Business development costs	$ 284,901	$ 527,487	$ -
Employee related costs	776,146	1,666,889	1,855,556
Other administration costs	3,886,440	2,782,461	1,794,726
	$ 4,947,487	$ 4,976,837	$ 3,650,282

Corporate administration expenses for the year ended December 31, 2007, totaled $4,947,487, a decrease of 1% or $29,350 from $4,976,837 for the year ended December 31, 2006.

During 2007, efforts continued on business development including the pursuit of potential partnerships and finance arrangements for product candidates and technology platforms. The significant decrease from 2006 in business development of $242,586 or 46% is a direct result of a second quarter reduction of management personnel in this department.

The decrease from 2006 of $890,743 in employee related costs was due to the second quarter change in management. Employee related costs savings have been offset by higher consulting and travel costs incurred by senior management. Additional costs of $685,000 were also incurred from legal and other advisory services that management retained to determine courses of action relating to the effects of the Schedule 13D filed February 14, 2007 with the Securities and Exchange Commission.

Corporate administration expenses for the year ended December 31, 2006 were $1,326,555 higher compared to 2005. This was due to increased activity relating to investor relations, corporate communication, an increase in legal expenses and other related service fees for U.S. regulatory filing requirements including consulting fees associated with Sarbanes-Oxley compliance requirements.

Other Income (Expense)

The significant decrease in other income is directly related to the impairment loss on acquired intellectual property of $24,991,344. Under U.S. GAAP, the cost of acquiring intellectual property is charged to expense as in-process research and development ("IPRD") when acquired if the feasibility of such technology has not been established and no future alternative use exists. This difference increases the loss from operations under U.S. GAAP in the year the IPRD is acquired and reduces the loss under U.S. GAAP in subsequent periods because there is no amortization charge. On December 5, 2007, the Company announced the results of two Phase III clinical trials of OvaRex® MAb for the treatment of advanced ovarian cancer. The results showed that the studies failed to reach statistical significance. These trials were conducted and based on acquired intellectual property and related agreements from the acquisition of AltaRex in December 2004. The value of the Unither Pharmaceuticals, Inc. (a subsidiary of United Therapeutics Corporation) development agreement and other licenses was directly linked to expected future cash flows from these agreements. Due to the failure of the clinical trials, the ability to realize the expected future economic benefit from the acquired intellectual property is remote. Therefore, the entire unamortized value of the acquired intellectual property has been recognized as an impairment loss.

Future Income Taxes

The future income tax recovery for the year ended December 31, 2007, was $5,346,990 compared to an expense of $4,178,613 for the year ended December 31, 2006 and a recovery of $3,358,426 for the year ended December 31, 2005. Under Canadian GAAP, a future tax liability is also recorded upon acquisition of the intellectual property to reflect the tax effect of the difference between the carrying amount of the intellectual property in the consolidated financial statements and the tax basis of these assets. Under U.S. GAAP, because the intellectual property is expensed immediately as IPRD, there is no difference between the tax basis and the financial statement carrying value of the assets and therefore no future tax liability exists. Under Canadian GAAP, a future tax liability is also recorded upon acquisition of the intellectual property to reflect the tax effect of the difference between the carrying amount of the intellectual property in the consolidated financial statements and the tax basis of these assets. Under U.S. GAAP, because the intellectual property is expensed immediately as IPRD, there is no difference between the tax basis and the financial statement carrying value of the assets and therefore no future tax liability exists.

On the acquisition of AltaRex in 2004, the premium paid by ViRexx over the carrying value of the net assets of AltaRex was allocated to the acquired intellectual property owned by AltaRex. This resulted in a significant future tax liability based on the difference between the tax cost base of the acquired intellectual property and its net book value for accounting purposes. With the impairment loss on the acquired intellectual property recognized in other income, the liability associated with this asset has been eliminated. This provided a recovery of the future income tax liability previously reported.

ViRexx, as the parent company, has incurred significant operating losses and has other tax assets, such as scientific research and experimental development credits that can be used to reduce future taxable income. Management's assessment of the value of these non-capital losses carried forward is based on its best estimate of the ability of the Company to utilize these non-capital losses and tax credits to offset future taxable income. Judgments as to the timing and potential use of such non-capital losses and tax credits are made on the best information available and are reassessed periodically. Currently management is not of the opinion that the realization of these future income tax assets is more likely than not, therefore management has recorded a valuation allowance such that no future income tax asset has been recorded in the consolidated financial statements.

SUBSEQUENT EVENT

In February 2008, the Company proposed settlement of a claim for severance pay and wrongful dismissal filed by a former employee. The settlement amount is accrued for in the consolidated financial statements.

Also, during February 2008 the Company has reached, but not yet finalized a settlement with Clarus Securities Ltd. ("Clarus") for damages for non-performance in regard to the cancellation of a $15,000,000 public offering. The proposed settlement includes a cash payment and warrants. The cash settlement amount was accrued in the December 31, 2007 audited consolidated financial statements. The issuance of the warrants will be recorded in the second quarter of 2008 once they are issued and the exercise price has been determined.

LIQUIDITY AND CAPITAL RESOURCES

	As at December 31,	
	2007	2006
Cash and cash equivalents	$ 2,533,105	$ 405,354
Short-term investments	42,143	10,336,837
	$ 2,575,248	$ 10,742,191

As at December 31, 2007, the Company's cash and cash equivalents and short-term investments totaled $2,575,248 as compared with $10,742,191 at December 31, 2006. The Company's net cash provided from operating activities amounted to $2,283,769 for the year ended December 31, 2007, reflecting the Company's redemption and use of short-term investments to fund corporate administration expenses, including costs incurred for the public offering, dealing with the 13D group, and research and development expenses.

Currently the Company has no contributing cash flows from operations. As a result, the Company relies on external sources of financing such as the issue of equity or debt securities, the exercise of options or warrants and investment income to finance operations. Revenues from operations are not expected until certain milestone and royalty payments from license and collaboration agreements have been earned, or commercialization of a product candidate has occurred.

The Company believes that its cash and cash equivalents and short-term investments will be sufficient to satisfy the Company's anticipated operating requirements into the second quarter of 2008.

Currently Management is preparing a short form prospectus for a rights offering ("Offering") to all existing shareholders of the Company. The record date for this transaction has not yet been determined but is expected to be in early April 2008. Each shareholder who is eligible to participate in the offering will receive one right for each share owned. Each right will entitle the holder to receive one common share in the capital of the Company. The Company has applied to list all shares issuable upon exercise of the rights on the TSX and the AMEX. Management expects the offering to be complete by early May 2008 and anticipates raising net proceeds of approximately CDN$5 million. This will provide the Company with operating capital for approximately 12 to 18 months.

If the rights offering is not successful, the Company would have to pursue alternative sources of liquidity to meet its short term cash needs, which may not be available on terms favourable to the Company, if at all.

The Company has applied to list on the TSX the Rights distributed under this short form prospectus and the Shares issuable upon the exercise of the Rights. Approval of such listing will be subject to the Corporation fulfilling all of the listing requirements of the TSX. The Company has applied to list the Shares issuable upon the exercise of the Rights (but not the Rights themselves) on the AMEX. Approval of such listings will be subject to the Company fulfilling all of the listing requirements of the AMEX.

The Rights may not be transferred to any person in the United States or to any U.S. person within the meaning of Regulation S under the United States Securities Act of 1933, as amended. Shareholders in the United States who receive Rights may resell them only outside the United States in accordance with Regulation S.

The subscription price of each right has not yet been determined but will be equal to the weighted average closing price of the Company's common shares on the TSX for each of the trading days on which there was a closing price during the three trading days immediately preceding the date of the final prospectus in respect of the Offering, less a discount of 25%.

The Company has engaged a Dealer Manager to act as financial adviser to the Company and to solicit the exercise of the Rights. The Company has agreed to pay the Dealer Manager an advisory fee equal to 6% of the gross proceeds of the Offering but before deducting the other expenses of the Offering. In addition to the advisory fee, the Dealer Manager will also be issued a compensation warrant (the "Dealer Warrant") entitling the holder thereof to purchase such number of common shares of the Company equal to 6% of the Rights exercised under this Offering. The Dealer Warrant will be exercisable at the subscription price and will expire 18 months after the completion of the Offering.

Management is considering all financing alternatives and is seeking to raise additional funds for operations from all potential sources. This disclosure is not an offer to sell, nor a solicitation of an offer to buy securities of the Company. While the Company is striving to achieve the above plans, there is no assurance that such funding will be available or obtained on favorable terms. At December 31, 2007, there was substantial doubt that the Company would be able to continue as a going concern. The consolidated financial statements do not reflect adjustments in the carrying values of the assets and liabilities, the reported revenues and expenses, and the balance sheet classification used, that would be necessary if the going concern were not appropriate and these adjustments could be material.

Projections of further capital requirements are subject to substantial uncertainty. Working capital requirements may fluctuate in future periods depending upon numerous factors, including: results of research and development activities; progress or lack of progress in preclinical studies or clinical trials; drug substance requirements to support clinical programs; the ability to achieve milestone payments under current licensing partner collaborations or any other collaboration the Company establishes that provide funding; changes in the focus, direction, or costs of research and

development programs; the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing patent claims; competitive and technological advances; the potential need to develop, acquire or license new technologies and products; establishment of marketing and sales capabilities; business development activities; new regulatory requirements implemented by regulatory authorities; and the timing and outcome of any regulatory review process or commercialization activities, if any.

OFF BALANCE SHEET ARRANGEMENTS

As at December 31, 2007, the Company did not have any material off-balance sheet arrangements other than those listed under the Contractual Obligations and Commitments described below and those disclosed in Note 13 to the Audited Consolidated Financial Statements for the year ended December 31, 2007.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The Company periodically enters into long-term contractual arrangements for the lease of office and laboratory facilities and product candidate manufacturing for clinical trials. The following table presents commitments arising from these arrangements currently in force over the next five years:

	Total	< 1 year	1 – 3 years
Operating lease obligations	$ 395,940	$ 115,885	$ 280,055
Product candidates manufacturing obligations	18,000	9,000	9,000
Capital lease obligation	5,931	5,931	-
Total contractual obligations	$ 419,871	$ 130,816	$ 289,055

Notes: Lease on laboratory and offices of $115,885 per annum from June 1, 2007 to May 31, 2011

CONTROLS AND PROCEDURES

In order to ensure that information filed under Canadian and U.S. securities legislation presents fairly in all material respects the financial information of ViRexx, the Chief Executive Officer and the Chief Financial Officer, are responsible for establishing and maintaining disclosure controls and procedures, as well as internal controls over financial reporting.

Disclosure Controls and Procedures

It is the conclusion of the Company's Chief Executive Officer and Chief Financial Officer that the Company's disclosure controls and procedures (as defined in Exchange Act rules 13a-15(e) and 15d-15(e)), based on their evaluation of these controls and procedures as of the end of the period covered by this Annual Report, are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including its Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting.

There were no changes in the Company's internal controls over financial reporting that occurred during the period that is covered by this Annual Report that have materially affected, or are reasonably likely to materially affect, these controls.

Management's Annual Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Exchange Act Rule 13a-15(f), internal control over financial reporting is a process designed by, or under the supervision of, the Company's Chief Executive Officer and Chief Financial Officer and effected by the board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Management, including the Company's Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2007. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on this assessment, management believes that, as of December 31, 2007, the Company's internal control over financial reporting was effective based on those criteria.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our audited consolidated financial statements are prepared in accordance with Canadian GAAP, which requires management to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We believe that our most critical accounting policies and estimates relate to the following areas, with reference to notes contained in the audited consolidated financial statements:

§ Acquired Intellectual Property (Note 7 and 24(a))
§ Income Tax Provision (Note 11 and 24(a))
§ Legal Claims (Note 14 and 15)

§ Stock Based Compensation (Note 18 and 24 (b))

Management has discussed the development, selection and disclosure of critical accounting policies and estimates with its Audit Committee of our Board of Directors. While our estimates and assumptions are based on our knowledge of current events and actions we may undertake in the future, actual results may ultimately differ from these estimates

and assumptions. A summary of significant accounting policies and estimates and a description of accounting policies that are considered significant may be found in the Note 4 to the audited consolidated financial statements.

The Company has various legal and administrative proceedings, principally related to former employee claims for wrongful dismissal. The Company may make a provision for those proceedings and may make additional significant provisions for such legal proceedings, as required in the event of further developments. Litigation is inherently unpredictable. The Company may in the future incur judgments or enter into settlements of claims that could result in payments that exceed its current provisions by an amount that would have a material adverse effect on the Company's financial condition, results of operations and cash flows.

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2007, the Company adopted the following new accounting standards related to financial instruments that were issued by the Canadian Institute of Chartered Accountants ("CICA") in 2005. These accounting policy changes were adopted on a retroactive basis with no restatement of prior period consolidated financial statements. The new standards and accounting policy changes are as follows:

Financial Instruments

Financial Instruments – Recognition and Measurement (CICA Handbook Section 3855)

Financial Instruments – Disclosure and Presentation (CICA Handbook Section 3861)

In accordance with these standards, the Company now classifies all financial instruments as held-to-maturity, available-for-sale, held-for-trading, loans and receivables or other liabilities. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading, are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss). Instruments classified as held-for-trading are measured at fair value with unrealized gains and losses recognized in the consolidated statement of loss. Financial instruments of the Company consist of cash equivalents, short-term investments, other current assets, accounts payable and accrued liabilities and obligations under capital lease. The fair value of these instruments approximates their carrying amount due to their immediate or short-term maturity.

The Company has made the following classifications:

- Cash equivalents and short-term investments are classified as held-for-trading and are measured at fair value. Gains and losses related to periodic revaluation are recorded in net loss;

- Other current assets are classified as loans and receivables and are initially measured at fair value and subsequently at amortized cost using the effective interest method; and

- Accounts payable and accrued liabilities and obligations under capital lease are classified as other liabilities and are initially measured at fair value and subsequently at amortized cost using the effective interest method.

Derivative instruments are recorded at fair value unless exempted from derivative treatment as normal purchases and sales. All changes in their fair value are recorded in income unless cash flow hedge accounting is used, in which case, changes in fair value are recorded in other comprehensive income (loss). The Company has elected to apply this accounting treatment for embedded derivatives on transactions entered into after January 1, 2003, and the change in accounting policy did not have a material impact on the consolidated financial statements.

Transaction costs with respect to instruments not classified as held-for-trading are recognized as an adjustment to the cost of the underlying instruments, when they are recognized, and amortized using the effective interest method. Transaction costs with respect to instruments classified as held-for-trading are expensed as incurred.

As at December 31, 2007, the impact on the consolidated balance sheet of measuring the financial assets and liabilities was $nil.

Comprehensive income (CICA Handbook Section 1530)

Comprehensive income is the change in shareholders' equity during a period from transactions and events from sources other than the Company's shareholders. In accordance with this new standard, the Company is required to report a consolidated statement of comprehensive loss and a new category, accumulated other comprehensive loss, and is required to be added to the shareholders' equity section on the consolidated balance sheet. The components of accumulated other comprehensive loss may include unrealized gains and losses on financial assets classified as available-for-sale, foreign currency gains and losses on the net investment in self-sustaining foreign operations and changes

in fair market value of derivative instruments designated as cash flow hedges, all net of income taxes. There were no such components to be recognized in other comprehensive loss at adoption on January 1, 2007 or for the year ended December 31, 2007. As the Company has no items of other comprehensive loss, net loss is equivalent to comprehensive loss and the Company has not reported a separate statement of comprehensive loss.

Hedges (CICA Handbook Section 3865)

This standard specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed. The Company does not have any hedging items so the implementation of this Section did not have a material impact on the Company's consolidated financial statements.

Equity (CICA Handbook Section 3251)

In January 2005, the CICA issued a new Section to the CICA Handbook, Section 3251 "Equity" which became effective for the Company on January 1, 2007. This Section establishes standards for the presentation of equity during a reporting period. The implementation of this Section did not have a material impact on the Company's consolidated financial statements.

Accounting changes (CICA Handbook Section 1506)

Effective January 1, 2007, the Company adopted CICA Handbook Section 1506 "Accounting Changes" which establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies and estimates, and correction of errors. Under the new standard, accounting changes should be applied retroactively unless otherwise permitted or where impracticable to determine. As well, voluntary changes in accounting policies are made only when required by a primary source of Canadian GAAP or the change results in more relevant and reliable information. The Company has determined that the application of this Section did not have any impact on the consolidated financial statements.

FUTURE ACCOUNTING PRONOUNCMENTS

Capital Disclosures (CICA Handbook Section 1535)

In November 2006, the CICA issued new Handbook Section 1535 "Capital Disclosures", effective for annual and interim periods beginning on or after October 1, 2007. This Section establishes standards for disclosing information about an entity's capital and how it is managed in order that a user of the financial statements may evaluate the entity's objectives, policies and processes for managing capital. This new Standard will not have a material effect on the Company's consolidated financial statements. The following disclosure will be added to annual and interim reports beginning January 1, 2008:

The Company's objectives when managing capital are:

To safeguard the Company's ability to continue as a going concern, to continue to provide returns for shareholders and benefits for other stakeholders, and;

To provide an adequate return to shareholders commensurate with the level of risk associated with a development stage biotechnology company.

The Company sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the number of shares issued, sell assets, enter into mergers and acquisitions, acquire debt or enter into some other form of financing facility.

Capital comprises all components of equity (i.e. common shares, contributed surplus, and deficit accumulated during development stage) other than amounts in accumulated other comprehensive income relating to cash flow hedges.

Inventories (CICA Handbook Section 3031)

Effective January 1, 2008, the Company will be required to adopt CICA Section 3031 “Inventories”. This Section prescribes the measurement of inventory at the lower of cost and net realizable value. The cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. This Section applies to interim and annual consolidated financial statements for fiscal years beginning on or after January 1, 2008. The Company plans to adopt this Section for its fiscal year beginning January 1, 2008 and it will not have a material effect on the Company's consolidated financial statements.

Financial Instruments: Disclosures (CICA Handbook Section 3862)/ Presentation (CICA Handbook Section 3863)

Effective January 1, 2008, the Company will be required to adopt two new CICA standards, Section 3862 “Financial Instruments – Disclosures” and Section 3863 “Financial Instruments – Presentation”, which will replace Section 3861 “Financial Instruments – Disclosure and Presentation”.

The new Disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how these risks are managed. The new Presentation standard carries forward the former presentation requirements. The new financial instruments presentation and disclosure requirements were issued in

December 2006. The Company plans to adopt these Sections for its fiscal year beginning January 1, 2008 and they will not have a material effect on the Company's consolidated financial statements.

Convergence to International Financial Reporting Standards (“IFRS”)

In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian GAAP, as used by public entities, being converged with IFRS over a transitional period currently expected to be about five years. The precise timing of convergence will depend on an Accounting Standards Board progress review to be undertaken in 2008. The impact of this transition on the Company's consolidated financial statements has not yet been determined; however, management continues to monitor these regulatory developments.

RECENTLY ADOPTED AND PENDING UNITED STATES ACCOUNTING PRONOUNCMENTS

Recent United States accounting pronouncements issued and adopted

Accounting for uncertainty in income taxes

In June 2006, the Financial Accounting Standard Board (“FASB”) issued FASB Interpretation No. 48 “Accounting for Uncertainty in Income Taxes” (“FIN 48”), an interpretation of Statement of Financial Accounting (“FAS”) 109 “Accounting for Income Taxes”. On January 1, 2007, the Company adopted the provisions of FIN 48 that prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation requires that the Company recognize the impact of a tax position in the financial statements if that position is more likely than not of being sustained on audit, based on the technical merits of the position. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure. In accordance with the provisions of FIN 48, any cumulative effect resulting from the change in accounting principle is to be recorded as an adjustment to the opening balance of deficit. The adoption of FIN 48 did not result in a material impact on the Company’s consolidated financial position or results of operations.

Recent United States accounting pronouncements issued and not yet adopted

Fair value measurements

In September 2006, the FASB approved FAS No. 157, “Fair Value Measurements” (“FAS 157”), which defines fair value, establishes a framework for measuring fair value in U.S. GAAP and enhances disclosures about fair value measurements. This statement applies when other accounting pronouncements require fair value measurements. It does not require new fair value measurements. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. The adoption of FAS 157 will not result in a material impact on the Company’s financial position or results of operations.

The Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the FASB issued Statement No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities” (“FAS 159”), which allows entities the option to measure eligible financial instruments at fair value as of specified dates. Such election, which may be applied on an instrument by instrument basis, is typically irrevocable once elected. This statement is effective for fiscal years beginning after November 15, 2007, and early application is allowed under certain circumstances. The adoption of FAS 159 will not result in a material impact on the Company’s financial position or results of operations.

Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities

In June 2007, the Emerging Issues Task Force (“EITF”) issued EITF Issue No. 07-3 “Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities” (“EITF 07-3”). EITF 07-3 requires that nonrefundable advance payments for goods or services that will be used or rendered for future research and development activities be deferred and capitalized and recognized as an expense as the goods are delivered or the related services are performed. EITF 07-3 is effective for fiscal years beginning after December 15, 2007. The adoption of EITF 07-03 will not result in a material impact on the Company’s financial position or results of operations.

Collaborative Agreements

In September 2007, the EITF reached a consensus on EITF Issue No. 07-1 “Collaborative Arrangements” ("EITF 07-1"). EITF 07-1 addresses the accounting for arrangements in which two companies work together to achieve a commercial objective, without forming a

separate legal entity. The nature and purpose of a company's collaborative arrangements are required to be disclosed, along with the accounting policies applied and the classification and amounts for significant financial activities related to the arrangements. EITF 07-1 is effective for fiscal years beginning after December 15, 2008. The Company is currently assessing the impact EITF 07-1 will have on its results of operations and financial position.

Business Combinations

The FASB recently completed the second phase of its business combinations project, to date the most significant convergence effort with the International Accounting Standards Board (“IASB”), and issued the following two accounting standards:

i. Statement No. 141, Business Combination; and

ii. Statement No. 160, Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No.51.

These statements dramatically change the way companies account for business combinations and noncontrolling interests (minority interests in current U.S. GAAP). Compared with their predecessors, Statements 141(R) and 160 will require:

- More assets acquired and liabilities assumed to measured at fair value as of the acquisition date;
- Liabilities related to contingent consideration to be remeasured at fair value in each subsequent reporting period;
- An acquirer in preacquisition periods to expense all acquisition related costs; and
- Noncontrolling interests in subsidiaries initially to be measure at fair value and classified as a separate component of equity.

Statements 141(R) and 160 should both be applied prospectively for fiscal years beginning on or after December 15, 2008. However, Statement 160 requires entities to apply the presentation and disclosure requirements retrospectively (e.g., by reclassifying noncontrolling interests to appear in equity) to comparative financial statements if presented. Both standards prohibit early adoption. The Company is currently assessing the impact these new standards will have on its consolidated financial statements.

SELECTED ANNUAL AND QUARTERLY INFORMATION

The following quarterly information is presented in thousands of dollars except for loss per share amounts:

	2007				2006			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Research and development costs	1,125	1,355	1,210	1,071	1,544	1,476	1,506	1,411
Net loss	2,924	3,188	1,915	23,541	2,309	3,326	3,365	8,493
Basic and diluted net loss per common share	0.04	0.04	0.03	0.32	0.04	0.05	0.05	0.11
Weighted average number of common shares outstanding	72,761	72,761	72,761	72,761	63,842	70,281	70,343	68,921

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).

OOutstanding Share Data	Mar. 31, 2008	Dec.31, 2007	Dec. 31, 2006
Common shares issued and outstanding	72,760,717	72,760,717	72,760,717
Stock options outstanding	5,332,811	5,332,811	6,096,241
Warrants outstanding	2,618,182	14,618,181	17,077,480

Stock options and warrants exercised are converted into an equal number of common shares. If fully exercised the stock options and warrants outstanding at March 31, 2008 would generate proceeds of approximately $7,538,378.

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 any of our directors. The following table lists our directors and senior management together with their respective positions during 2007:

Name	Position and Offices and Starting Date
Darrell Elliott (1)	Chief Executive Officer and Chairman of the Board since September 21, 2007
Erich Bam, CA (SA) (1)	Chief Operating Officer since October 12, 2007
Brent Johnston, CA	Acting Chief Financial Officer since November 1, 2007
Dr. Richard Ascione (1)	Chief Scientific Officer since July 1, 2007
Dr. Rajan George	Senior Vice-President, Research since December 22, 2003
Dr. Andrew Stevens	Vice-President, Clinical and Regulatory Affairs since December 22, 2003
Dr. Irwin Griffith	Vice-President, Development (Embolotherapy) since April 5, 2004
Dr. Hubert Eng	Vice-President, Development (AIT) since November 6, 2007
Dr. Joseph Zendegui (1)	Vice-President, Business Development since December 1, 2007
Douglas Gilpin, CA	Director since April 14, 2004
Jacques R. LaPointe	Director since December 9, 2004
Michael Marcus	Director since April 7, 2007 (elected June 5, 2006, resigned February 15, 2007, reelected)
Yves Cohen	Director since May 3, 2007
Peter Smetek	Director since April 7, 2007, Former Chief Executive Officer (September 2007)
Bruce Hirsche	Corporate Secretary since December 5, 2005

(1) Interim positions held by management consultants

Darrell Elliott
British Columbia, Canada

Mr. Elliott who has more than 35 years of experience in merchant banking, venture capital and analogous operating experiences in Africa, Europe and North America. He has served on numerous boards and sub-boards of both private and publicly traded companies. Currently, Mr. Elliott is the Chairman of the Boards of Directors of Tekmira Pharmaceuticals Corporation and Chromos Molecular Systems Inc., both of which are a publicly trading company listed on the TSX. Mr. Elliott is also one of the original founders and CEO/Chairman of Apex Bioventures Acquisition Corp., a publicly trading company listed on the American Stock Exchange. Mr. Elliott served as Chairman of the Board of Neuromed Pharmaceuticals Ltd., a private company. He was also Senior Vice President and Managing Director of MDS Capital Corp., President of MDS Ventures Pacific, Chairman and Chief Executive Officer of British Columbia Medical Innovations Fund, Vice President of Canadian Medical Discoveries Fund and Regional Vice President and Managing Director of Royal Bank Capital Corporation.

Mr. Elliott provides his Chief Executive Officer services to the Corporation pursuant to an agreement date September 21, 2007 between the Corporation and Isuma Strategies Inc., of which Mr. Elliott is principal. Isuma Strategies Inc., a strategic consulting firm for private equity in the biopharma industry.

Erich Bam, CA (SA)
British Columbia, Canada

Mr. Bam who is a Chartered Accountant (SA) with more than 20 years experience in the financing, development and management of both private and publically traded companies. Most recently, Mr. Bam serves as a partner and Managing Director of Gemini Partners where he is responsible for sourcing and management assignments.

Mr. Bam provides his Chief Operating Officer services to the Corporation pursuant to an agreement dated September 23, 2007 between the Corporation and Gemini Partners, of which Mr. Bam is a

	partner. Gemini Partners specializes in the management of restructuring or re-organization of financially troubled companies and the associated financial advisory services required to achieve a turnaround.
Brent Johnston, CA Alberta, Canada	Mr. Johnston has 10 years of public company reporting experience both as an auditor with PricewaterhouseCoopers LLP and in various management roles. His reporting experience includes issuers from Canada, the United States, Ireland and the Cayman Islands. In addition, Mr. Johnston played significant roles in corporate reorganizations, implementing cost disciplines, streamlining operations and other financial initiatives with issuers EPCOR Utilities Inc., InBev (Labatt Breweries of Canada) and North American Construction Group (NACG).
Dr. Richard Ascione New York, USA	Dr. Richard Ascione is currently a consultant and equity investment advisor to several Wall Street companies as an industry expert. Prior to this activity Dr. Ascione served more than 10 years in the biotech industry as the Vice President, Research, Aphton Corporation, and Director of their Laboratory of Molecular Medicine working on the development of a cancer vaccine for GI malignancy. Previously, Dr. Ascione was a tenured professor in the Department of Experimental Oncology and Associate Director of the Center for Molecular and Structural Biology at the Hollings Cancer Center and the Medical University of South Carolina, respectively, in Charleston, South Carolina. Earlier, Dr. Ascione was with the National Cancer Institute (NCI) of the National Institutes of Health (NIH), where he served as Deputy Chief of NCI's Laboratory of Molecular Oncology for more than 20 years. Dr. Ascione has published over seventy peer-reviewed papers, including several book chapters and articles related to molecular medicine, virology and the gene regulation of cancer, human retroviruses and HIV/AIDS.
Rajan George, Ph.D. Alberta, Canada	Dr. Rajan George has more than 30 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 and immunological aspects of replication of hepatitis B viruses. This involved the production of recombinant viral proteins, peptides and antibodies for HBV therapeutic vaccine development. Dr. George obtained his Ph.D degree in Biochemistry from the Indian Institute of Science (Bangalore, India) and received his post doctoral training at the University of Wisconsin (Madison, WI) and at the University of Alberta (Edmonton, AB). Dr. George has more than 35 publications in peer reviewed medical journals to his credit
Andrew Stevens, Ph.D. Alberta, Canada	Prior to joining ViRexx, Dr. Stevens was the Vice-President of Product Development at Cytovax Biotechnology Inc., a biotechnology company. Dr. Stevens' extensive experience includes responsibilities as Director of Clinical Research 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 U.S. He holds a Bachelor of Science degree in Pharmacy and a Ph.D. in Bionucleonics.
Irwin Griffith, Ph.D. Alberta, Canada	Dr. Irwin Griffith has more than 20 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.
Hubert Eng, Ph.D. Alberta, Canada	Dr. Hubert Eng brings expertise in the development and commercialization of cancer immunotherapies. He has over 15 years of basic research and biotechnology experience and has been with the AIT platform for over 5 years. His strong leadership, understanding of both the academic and industry cultures, and experience in international partnerships makes him an integral member of the ViRexx Team.
Joseph Zendegui, Ph.D. British Columbia, Canada	Dr. Zendegui joined ViRexx as Vice President of Business Development in December 2007, bringing over 20 years experience in the biotechnology industry. Prior to joining ViRexx, Dr. Zendegui served as Vice President, Corporate Development at Chromos Molecular Systems in

	Burnaby, BC for 7 years, where he led the business development, intellectual property and corporate communications functions. Before his position at Chromos, Dr. Zendegui was Director, Business Development at Valentis Inc. (formerly GeneMedicine Inc.), a U.S.-based gene therapy company. At Valentis, Dr. Zendegui directed the cancer and cardiovascular gene therapy business areas, involving large strategic alliances. Prior to joining Valentis, Dr. Zendegui held positions of increasing responsibility at Triplex Pharmaceutical Corporation in both R&D and business development. Dr. Zendegui holds a Ph.D. in Immunology from the University of South Florida College of Medicine and was a post-doctoral fellow in the Department of Cell Biology, Rockefeller University and the Department of Pharmacology, Howard Hughes Medical Institute at Vanderbilt University.
Douglas Gilpin, CA Alberta, Canada	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.
Jacques R. LaPointe Ontario, Canada	Mr. LaPointe has been a Director of ViRexx since December 9, 2004. He is Chairman of the Board of ConjuChem Inc. and was recently 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.
Michael Marcus Texas, USA	Michael Marcus is a private investor and philanthropist. He graduated Phi Beta Kappa from Johns Hopkins University in 1969 with a B.A. in Liberal Arts. After working as an analyst for Reynolds Securities and Shearson Hayden Stone on Wall Street, he was an independent floor trader on the New York Cotton Exchange. From there, he went on to become a trader for Commodities Corporation. In that role, his successful trading and his hire of Bruce Kovner was responsible for turning around the fortunes of Commodities Corporation. Michael went on to be the first executive vice president of Commodities Corporation which was bought by Goldman Sachs in 1997. The author, Jack Schwager decided to feature Mr. Marcus' story as the first chapter in his best-selling, Market Wizards I: Interviews with Top Traders.
Yves Cohen Geneva, Switzerland	Yves Cohen is Founder & Managing Director of Geneva Financial Services, a family office financial advisory company based in Geneva, Switzerland. He is also co-founder of Inoks Capital Management (ex-PCCM) where he was responsible for business development and operations. Prior to co-founding Inoks Capital Management, he was a director at Maverick Conseils, a Swiss investment firm, where he specialized in wealth management and real estate advisory services. At Maverick, Mr. Cohen principally helped manage high net worth clients as well as being responsible for the overall operations of the firm. Prior to Maverick, he worked at Hirsch & Cie, where he was responsible for a range of successful technology and real estate investments in several emerging countries, as well as England and Switzerland. He has occupied positions in other financial institutions such as the United European Bank, Discount Bank and Trust Company and UBS. Mr. Cohen studied Law at Geneva University.
Bruce D. Hirsche, Q.C., LL.M Alberta, Canada	Bruce D. Hirsche is a partner of the law firm Parlee McLaws LLP and leader of their Intellectual Property and Innovation Group (TechCounsel). He was admitted to the bar in Alberta in 1975. His clients include numerous technology based companies with activities at all stages of research, commercialization and sales. He has extensive background in the areas of securities law, intellectual property protection, transfer, strategic alliances, mergers and acquisitions and in corporate governance and financing of knowledge-based companies. He is a member of the International Licensing Executive Society, the Canadian Bar Association Intellectual Property and

Securities Sub-Sections and was a long-serving director and secretary of the Edmonton Council for Advanced Technology. He currently serves on the Board of Directors of a number of knowledge-based companies and has served on several legal continuing education panels dealing with intellectual property and securities law. He is also currently serving as a member of the Board of Management of the Alberta Science and Research Authority, Secretary and

	Board Member of Alberta Cord Blood Bank and Canadian Cord Blood Registry and as a Director of the Northern Alberta Brain Injury Society.
Peter Smetek Texas, USA	Peter P. Smetek, Jr. started Smetek & Associates in 1968 and incorporated in 1981. Mr. Smetek, Jr. formed Smetek, Van Horn and Cormack, Inc. ('SVC') in 1981, a NASD Broker Dealer/SEC Registered Investment Advisor and co-founded Benchmark Asset Management and managed over $200 million in assets. Benchmark was sold to Acorn Management in 1992. Smetek, Van Horn & Cormack raised the initial partnership investment funds for Amgen Corp. and Aphton Corp. SVC brought Aphton public in March of 1991. In November of 1994 Kraft Foods approached Mr. Smetek regarding his assistance in developing and then purchasing their waste food by-products conversion to animal feed company Superior AgResources. In December of 1997 Kraft entered into an agreement to sell this business to Trafalgar Holdings. Mr. Smetek is named in Who's Who in American Executives and Professionals. Mr. Smetek as general partner of Smetek, Van Horn & Cormack, a hedge fund with over $85 million under management is also the largest shareholder, CEO and Chairman of Larrea Biosciences, Inc., a reporting company under the United States Securities and Exchange Act.

Employment Agreements

Each of the employees of ViRexx has employment agreements. Below is a summary of the employment agreements for the top main employees of ViRexx during 2007:

1. Brent Johnston (Effective November 1, 2007)
Position: Acting Chief Financial Officer
Duties: The Acting Chief Financial Officer (CFO) is responsible for the supervision, preparation and management of ViRexx financial reporting, internal financial reporting and general matters related to the Company's financial status.
Time Devotion: Mr. Johnston shall devote his full business time, attention and ability to ViRexx's affairs.
Compensation: Commencing November 1, 2007, and throughout the term of this Agreement, a "Base Salary" of no less than $110,000.00 per annum exclusive of benefits and other compensation.
Stock Options: Option effective on the Effective Date to purchase 100,000 common shares at a price per share and on the conditions stipulated in the Stock Option Plan; PROVIDED HOWEVER, the options will be fully vested by November 14, 2008 if Mr. Johnston continues to be employed as Acting CFO.
Term: Agreement commences November 1, 2007 and continues until the Agreement is terminated by either Mr. Johnston or ViRexx in accordance with the Agreement.
Termination by Mr. Johnston and ViRexx Without Cause: The Agreement may be terminated by Mr. Johnston without cause on giving 30 days notice.
Termination of Mr. Johnston for Disability: If Mr. Johnston suffers from any disability resulting in Mr. Johnston 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.
Other: Mr. Johnston shall be reimbursed for all reasonable expenses incurred by him in the course of carrying out his duties as Acting Chief Financial Officer.

2. Dr. Rajan George (Effective January 1, 2007)
Position: Senior Vice-President, Research
Duties: Responsible for overall supervision and management of Research and Development and further responsible for duties associated with office of Senior Vice-President and any other duties as the President and/or the Board of Directors of ViRexx may determine.
Time Devotion: Dr. George shall devote his full business time, attention and ability to ViRexx's affairs.

Compensation: Commencing January 1, 2007, a salary, for each year of the Term, of no less than $155,000.00 per annum, reviewable annually.

Bonus: Dr. George is eligible to be considered for an annual bonus based on a percentage of salary. The current Compensation Plan calls for a bonus of 20% for this level of employment; however, the Company's management has reserved the right whether or not to pay this bonus subject to the availability of cash.
Stock Options: Option to purchase 150,000 common shares at a price of $0.80 per share vesting on commencement of the term. In addition, during the fiscal year ended December 31, 2006, Dr. George was granted an option underlying 25,200 of the Company's common shares exercisable at $1.30 per share, which expires on March 28, 2016. Said options shall vest in three equal installments over a three-year period, beginning on the date 12 months after the date of the grant. Dr. George is also eligible to participate in ViRexx's Stock Option Plan as may be determined and/or amended from time to time in the sole discretion of ViRexx and as approved by its board of directors.
Term: Effective as of January 1, 2007, the Company renewed Dr. George's employment which shall continue until the agreement is terminated by either Dr. George or ViRexx in accordance with the terms summarized herein and the terms of the agreement.
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 without cause on giving 90 days notice. ViRexx may waive the notice;
(b) by ViRexx on giving 1 year's notice or payment in lieu of notice of 1 year's salary inclusive of all benefits; or
(c) within twelve (12) months following a Change of Control (as defined in the agreement):
(i) by Dr. George for Good Reason (as defined in the employment agreement) on giving 60 days notice. ViRexx may waive notice.
If Dr. George elects to terminate his employment as a result of a Change of Control or resigns for Good Reason at any time up to twelve (12) months following a Change of Control, ViRexx shall pay to Dr. George the following:
(a) an amount equal to twelve (12) months of salary plus Bonus payable for the said twelve (12) months;
(b) continuation of the benefits during the 12 months following the date of his termination;
(c) immediate vesting of all stock options granted to Dr. George; and
(d) an extension of ViRexx's Stock Option Plan exercise period from ninety (90) days to twelve (12) months.
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.
Other: Dr. George shall be paid a car mileage allowance and his reasonable business expenses, including business-related mobile phone charges, shall be reimbursed by ViRexx as further provided in the agreement. ViRexx shall pay all professional association and development fees and all course costs which are incurred from time to time by Dr. George in maintaining his professional designations and upgrading and/or continuing his education and development to improve the performance of his duties.

3. Dr. Irwin Griffith (Effective January 1, 2007)
Position: Vice-President, Development (Embolotherapy)
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 may determine.
Time Devotion: Dr. Griffith shall devote his full business time, attention and ability to ViRexx's affairs.
Compensation: Commencing January 1, 2007, a salary, for each year of the Term, of no less than $140,000.00 per annum, reviewable annually.
Bonus: Dr. Griffith is eligible to be considered for an annual bonus based on a percentage of salary. The current Compensation Plan calls for a bonus of 20% for this level of employment; however, the Company's management has reserved the right whether or not to pay this bonus subject to the availability of cash.

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. In addition, during the fiscal year ended December 31, 2006, Dr. Griffith was granted an option underlying 36,000 of the Company's common shares exercisable at $1.30 per share, which expires on March 28, 2016. Said options shall vest in three equal installments over a three-year period, beginning on the date 12 months after the date of the grant. Dr. Griffith is also eligible to participate in ViRexx's Stock Option Plan as may be determined and/or amended from time to time in the sole discretion of ViRexx and as approved by its board of directors.

Term: Effective as of January 1, 2007, the Company renewed Dr. Griffith's employment which shall continue until the agreement is terminated by either Dr. Griffith or ViRexx in accordance with the terms summarized herein and the terms of the agreement.

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 without cause on giving 90 days notice. ViRexx may waive the notice.

(b) by ViRexx on giving 1 year's notice or payment in lieu of notice of 1 year's salary inclusive of all benefits; or

(c) within twelve (12) months following a Change of Control (as defined in the agreement):

(i) by Dr. Griffith for Good Reason (as defined in the employment agreement) on giving 60 days notice. ViRexx may waive notice.

If Dr. Griffith elects to terminate his employment as a result of a Change of Control or resigns for Good Reason at any time up to twelve (12) months following a Change of Control, ViRexx shall pay to Dr. Griffith the following:

(a) an amount equal to twelve (12) months of salary plus Bonus payable for the said twelve (12) months;

(b) continuation of the benefits during the 12 months following the date of his termination;

(c) immediate vesting of all stock options granted to Dr. Griffith; and

(d) an extension of ViRexx's Stock Option Plan exercise period from ninety (90) days to twelve (12) months.

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.

Other: Dr. Griffith shall be paid a car mileage allowance and his reasonable business expenses, including business-related mobile phone charges, shall be reimbursed by ViRexx as further provided in the agreement. ViRexx shall pay all professional association and development fees and all course costs which are incurred from time to time by Dr. Griffith in maintaining his professional designations and upgrading and/or continuing his education and development to improve the performance of his duties.

4. Dr. Andrew Stevens (effective January 1, 2007)

Position: Vice-President Clinical and Regulatory Affairs

Duties: Responsible for the overall supervision and management of Clinical and Regulatory Affairs and further responsible for duties associated with office of Vice-President and any other duties as the President and/or the Board of Directors of ViRexx may determine.

Time Devotion: Dr. Stevens shall devote his full business time, attention and ability to ViRexx's affairs.

Compensation: Commencing January 1, 2007, a salary, for each year of the Term, of no less than $135,000.00 per annum, reviewable annually.

Bonuses: Dr. Stevens is eligible to be considered for an annual bonus based on a percentage of salary. The current Compensation Plan calls for a bonus of 20% for this level of employment; however, the Company's management has reserved the right whether or not to pay this bonus subject to the availability of cash.

Stock Options: Option to purchase 100,000 common shares at a price of $0.80 per share vesting upon commencement of the term. In addition, during the fiscal year ended December 31, 2006, Dr. Stevens was granted an option underlying 25,000 of the Company's common shares exercisable at CDN$1.30 per share, which expire on March 28, 2016. Said options shall vest in three equal installments over a three-year period, beginning on the date 12 months

after the date of the grant. Dr. Stevens is also eligible to participate in ViRexx's Stock Option Plan as may be determined and/or amended from time to time in the sole discretion of ViRexx and as approved by its board of directors.

Term: Effective as of January 1, 2007, the Company renewed Dr. Stevens's employment which shall continue until the agreement is terminated by either Dr. Stevens or ViRexx in accordance with the terms summarized herein and the terms of the agreement.

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 without cause on giving 90 days notice. ViRexx may waive the notice;

(b) by ViRexx on giving 1 year's notice or payment in lieu of notice of 1 year's salary inclusive of all benefits; or

(c) within twelve (12) months following a Change of Control (as defined in the agreement):

(i) by Dr. Stevens for Good Reason (as defined in the employment agreement) on giving 60 days notice. ViRexx may waive notice.

If Dr. Stevens elects to terminate his employment as a result of a Change of Control or resigns for Good Reason at any time up to twelve (12) months following a Change of Control, ViRexx shall pay to Dr. Stevens the following:

(a) an amount equal to twelve (12) months of salary plus Bonus payable for the said twelve (12) months;

(b) continuation of the benefits during the 12 months following the date of his termination;

(c) immediate vesting of all stock options granted to Dr. Stevens; and

(d) an extension of ViRexx's Stock Option Plan exercise period from ninety (90) days to twelve (12) months.

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.

Other: Dr. Stevens shall be paid a car mileage allowance and his reasonable business expenses, including business-related mobile phone charges, shall be reimbursed by ViRexx as further provided in the agreement. ViRexx shall pay all professional association and development fees and all course costs which are incurred from time to time by Dr. Stevens in maintaining his professional designations and upgrading and/or continuing his education and development to improve the performance of his duties.

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5. Dr. Hubert Eng (effective November 1, 2007)

Position: Vice-President, Development (AIT)

Duties: Responsible for the overall supervision and management of the AIT Platform.

Time Devotion: Dr. Eng shall devote his full business time, attention and ability to ViRexx's affairs.

Compensation: Commencing January 1, 2007, a salary, for each year of the Term, of no less than $90,000.00 per annum, reviewable annually.

Bonuses: Dr. Eng is eligible to be considered for an annual bonus based on a percentage of salary. The current Compensation Plan calls for a bonus of 20% for this level of employment; however, the Company's management has reserved the right whether or not to pay this bonus subject to the availability of cash.

Term: Effective as of January 1, 2007, the Company renewed Dr. Eng's employment which shall continue until the agreement is terminated by either Dr. Eng or ViRexx in accordance with the terms summarized herein and the terms of the agreement.

Termination by Dr. Eng and ViRexx Without Cause or Change of Control of the Employees: The Agreement may be terminated by ViRexx or Dr. Eng without cause:

(a) by Dr. Eng without cause on giving 90 days notice. ViRexx may waive the notice;

(b) by ViRexx on giving 1 year's notice or payment in lieu of notice of 1 year's salary inclusive of all benefits; or

(c) within twelve (12) months following a Change of Control (as defined in the agreement):

(i) by Dr. Eng for Good Reason (as defined in the employment agreement) on giving 60 days notice. ViRexx may waive notice.

If Dr. Eng elects to terminate his employment as a result of a Change of Control or resigns for Good Reason at any time up to twelve (12) months following a Change of Control, ViRexx shall pay to Dr. Eng the following:

(a) an amount equal to twelve (12) months of salary plus Bonus payable for the said twelve (12) months;

(b) continuation of the benefits during the 12 months following the date of his termination;

(c) immediate vesting of all stock options granted to Dr. Eng; and

(d) an extension of ViRexx's Stock Option Plan exercise period from ninety (90) days to twelve (12) months.

Termination of the Employee for Disability: If Dr. Eng suffers from any disability resulting in Dr. Eng 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.

Other: Dr. Eng shall be paid a car mileage allowance and his reasonable business expenses, including business-related mobile phone charges, shall be reimbursed by ViRexx as further provided in the agreement. ViRexx shall pay all professional association and development fees and all course costs which are incurred from time to time by Dr. Eng in maintaining his professional designations and upgrading and/or continuing his education and development to improve the performance of his duties.

Management and Consultants Agreements

Each of the consultants of ViRexx has consulting services agreements. Below is a summary of the consulting services agreements for the top main consultants of ViRexx:

1. Darrell Elliott (Effective September 21, 2007)* (see page 63)