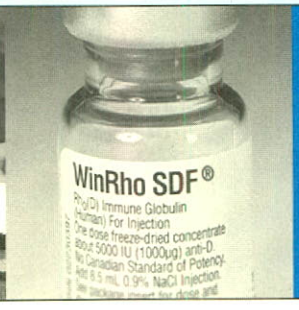
2002 Annual Report ::

Filling the Need

Cangene Corporation

1,800 hours. 36 years.

Wilma Taylor has been very busy with her granddaughter's wedding lately, so the only time she's had to catch up on the latest magazines is during her weekly visits to the Rh Plasma Center. In fact, she's probably done a lot of reading during the 1,800 hours she's spent donating antibodies used to make the life-saving drug, WinRho SDF®. "Because it's needed," she says when asked why she's stayed committed to the program for 36 years. And she knows about the need. During the 11 years she was immunization nurse for Dr. Jack Bowman, the innovator who started the WinRho program, she saw the drug's effects save many pregnancies. But her commitment runs even deeper – she lost two pregnancies to hemolytic disease of the newborn ("HDN") before medical technology made it possible to save her second son with four intrauterine blood transfusions – a cumbersome practice that is rarely necessary these days. Prophylactic treatment with WinRho SDF® virtually eliminates the risk of HDN. Wilma is just one of some 40 original WinRho SDF® donors: a close-knit group of women with similar stories. They, and other recently recruited donors, continue to volunteer their plasma and their time, so that others won't have to endure what Wilma did, so that HDN fades into the past.



Filling the Need

Cangene Corporate Profile ::

Cangene combines biopharmaceutical manufacturing expertise with drug innovation and an increasing revenue stream. And in 2002, Cangene was awarded the two largest contracts in its history.

Cangene is building a reputation as a supplier of high-quality hyperimmune products – antibody products that may aid in the fight against challenging infectious diseases such as smallpox, Ebola, anthrax and hepatitis. Using experience garnered from making its life-saving drug, WinRho SDF®, Cangene specializes in manufacturing technically demanding injectable products, and offers sought-after contract-manufacturing services to biopharmaceutical companies. Cangene is also an early participant in a new biopharmaceutical growth area – generic biologics.

The Company has two approved products, four that are in late-stage development, and several more at the research level. Steady revenue growth provides shareholders with the financial stability they seek, while product and technology innovation add growth potential to the mix.

Cangene has been listed on the Toronto Stock Exchange since 1991 under the symbol CNJ. The Company has operations in Manitoba, Ontario, Maryland, Florida and California. The majority of its approximately 500 employees work in Winnipeg and Baltimore. Additional company information can be found at www.cangene.com and www.cblinc.com.

Unless stated otherwise, dollar amounts are in Canadian dollars

The Year At a Glance ::

- Cangene's CBL subsidiary was awarded contract to fill, freeze-dry and finish 155 million doses of smallpox vaccine; largest contract in CBL history
- Submitted BLA for anti-hepatitis B hyperimmune in U.S.
- Filed NDS for anti-hepatitis B hyperimmune in Canada
- Completed construction and validation of new viral vaccine-filling facility at CBL
- WinRho SDF® chosen as the anti-D product for the Canadian market by Canadian Blood Services
- Renegotiated and extended research and development agreement with Apotex Inc. for a further 18 months and $12.5 million
- Awarded CDC contract to develop and supply VIG; largest contract in Cangene history
- Awarded CDC contract to develop and supply anti-anthrax hyperimmune
- Entered partnership with Canadian government to develop anti-Ebola and anti-Marburg products and to investigate using LEUCOTROPIN® as a radiation-exposure therapy
- Total sales revenue increased by 33%

SELECTED FINANCIAL DATA

in thousands of Canadian dollars except share-related data

	Year ended July 31, 2002	Year ended July 31, 2001	Year ended July 31, 2000	Year ended July 31, 1999	Year ended July 31, 1998
Sales	$ 73,085	$ 55,041	$ 47,138	$ 40,569	$ 28,300
Gross margin	38,840	31,538	25,036 [2]	22,641	15,140
R &D income under contract	12,191	10,785	11,196	8,667	6,430
Other income, including joint venture	2,875	2,318	1,140	269	264
R &D expenses (net of investment tax credits)	13,157	11,620	11,443	10,036	7,045
Current income taxes	8,418	8,598	5,000	72	60
Future income taxes	1,796	–	–	–	–
Net income for the year	10,434 [1]	12,899	9,994 [2,3]	15,412	11,000
Basic earnings per share	0.18 [1]	0.22	0.17 [2,3]	0.26	0.19
EBITDA	32,531	27,066	17,293 [2,3]	17,820	13,005
EBITDA per share	0.55	0.46	0.29 [2,3]	0.30	0.22
Cash, end of year	1,473	8,936	16,236	12,908	1,176
Shareholders' equity	78,673	67,340	53,467	45,460	30,183
Weighted average number of common shares outstanding during the year	# 59,580,372	# 59,139,034	# 59,072,860	# 59,196,308	# 59,123,220

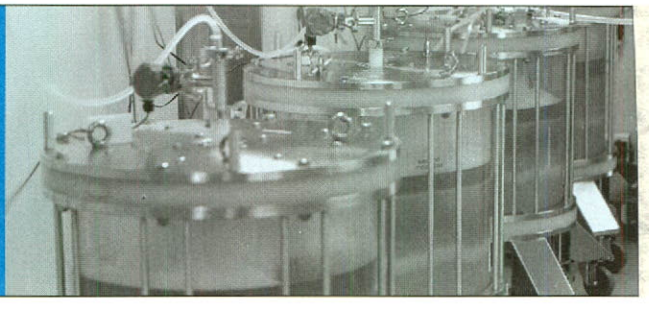
1 Net income reflects an expense of $5.0 million or $0.08 per share related to a charge against goodwill.

2 Includes a special, non-recurring charge of $4.5 million or $0.08 per share ($2.8 million or $0.05 per share after tax) related to certain manufacturing activities and regulatory technicalities during the year.

3 Includes a special non-recurring charge of $2.7 million or $0.05 per share ($1.7 million or $0.03 after tax) related to the restructuring of certain distribution agreements outside North America.

This year, we were **awarded** the two **largest** contracts in our history.

Filling the Need



Cangene's structure and diverse technology base allow us the flexibility to respond to changing needs of the marketplace.

We recently signed an agreement with the United States Centers for Disease Control and Prevention ("CDC") under which we will develop and supply a product for use in treating and preventing severe reactions that may be brought on by smallpox vaccine. The product is called VIG or *Vaccinia* immune globulin, which is a purified antibody to the *Vaccinia* virus used to make smallpox vaccine. This five-year contract is to produce up to 100,000 doses on an as-needed basis, and I think it highlights the importance of hyperimmunes as a weapon in the fight against infectious disease.

Our second largest contract came when our wholly-owned subsidiary, Chesapeake Biological Laboratories, Inc. ("CBL"), was selected to participate in the production of 155 million doses of smallpox vaccine. CBL will perform the final filling and finishing steps for the vaccine produced by Acambis Inc. and Baxter BioSciences under contract with the U.S. Department of Health and Human Services. Our CBL division specializes in filling such injectable products, placing us competitively in a lucrative niche. During 2002, we completed the construction and validation of a state-of-the-art viral fill/finishing facility.

A third significant contract was received from the CDC last month. We were awarded the contract to develop an anthrax hyperimmune globulin to be used as an adjunct to antibiotic therapy in critically ill patients with anthrax. Under this initial program, the innovative hyperimmune globulin will be used for preclinical studies, as well as human compassionate use and safety testing. These first studies will be performed under an Investigational New Drug application, with the aim of developing an FDA-licensable product.

We are also working with the Canadian government under a federal initiative aimed at improving Canada's readiness in the event of chemical, biological, radiological or nuclear incidents. We will undertake two research and technology development projects. Our first project will tackle Ebola and related Marburg viruses. There is currently no effective prevention or treatment for the hemorrhagic fever these viruses cause, and our goal is to produce both polyclonal (isolated from plasma) and monoclonal (produced in the laboratory) antibodies to both viruses. An exciting benefit to us is the opportunity to expand and enhance our capabilities in developing monoclonal antibodies – technology that may be used for future projects. Our second project under this program will investigate the utility of LEUCOTROPIN®, our version of a protein called GM-CSF, as a treatment for radiation-induced white-blood-cell damage.

"Passive antibody therapy has substantial advantages over antimicrobial agents and other measures for postexposure prophylaxis, including low toxicity and high specific activity."

Arturo Casadevall, *Emerging Infectious Diseases*, CDC, August 2002.

We are increasing investment in research activities in the infectious disease area as discussed above. Hyperimmunes are well suited to countering many infectious diseases, and we are expert at developing and manufacturing hyperimmunes. I believe that through these projects, we will become known worldwide as a developer and supplier of high-quality and innovative hyperimmunes.

Another serious disease organism that we are targeting for hyperimmune therapy is hepatitis B. We've submitted a product for prevention of post-exposure hepatitis B infection to regulatory authorities in Canada and the United States. In Canada, we are also conducting some supplementary trials, which should be completed next year.

WinRho SDF® continues to lead the sales of our biopharmaceutical segment. I'm pleased to report that it was chosen by Canadian Blood Services ("CBS") as the anti-D product it will distribute in the Canadian market. Although this is not a new market for us, it is the first time the contract was awarded through a formal bid process. CBS has sole responsibility for the management of Canada's supply of fractionated blood products. We are preparing to file WinRho SDF® in various geographic areas including for mutual recognition in the European Union.

Development of several of our recombinant biopharmaceuticals, such as LEUCOTROPIN® and human growth hormone, is supported by a research and development agreement with Apotex Inc. We recently renegotiated this agreement and I'm pleased to say that Apotex has agreed to extend it by a further $12.5 million over an 18-month period.

We have manufactured initial batches of LEUCOTROPIN®, our lead recombinant product, and are preparing our Canadian submission. The human growth hormone filing in the U.S. should follow.

Looking forward, we expect to be keeping our regulatory team extremely busy. We anticipate filing both LEUCOTROPIN® and human growth hormone. The team will have to manage the VIG trials, the development of our anti-anthrax product, the anti-hepatitis B file, and they will be finalizing the mutual recognition filing of WinRho SDF® in the European Union. I am truly excited about the potential for our hyperimmune and biogeneric products.

We expect our contract-manufacturing segment to benefit from both the hyperimmune manufacturing opportunities and the new viral-handling facility at CBL. This year, contract manufacturing accounted for 48% of our total sales.

Sales revenue for the year was $73.1 million, an increase of 33% over last year's sales. Our after-tax net income for the year of $10.4 million or $0.18 per share reflects an expense of $5.0 million or $0.08 per share related to goodwill, resulting from new rules set by the Canadian Institute of Chartered Accountants. The net income compares with $12.9 million or $0.22 per share for the previous year.

Earnings before interest, taxes, depreciation, amortization and charges against goodwill ("EBITDA") for the current year were $32.5 million or $0.55 per share, an increase of 20% over $27.1 million or $0.46 per share in the 2001 fiscal year.

Our research revenues, most of which come from a research and development agreement with Apotex Inc., were $12.2 million for the year, an increase of $1.4 million or 13% over the 2001 fiscal year. Research expenses for 2002, before accounting for investment tax credits, were $18.8 million, an increase of $2.7 million over $16.1 million in the year earlier. Selling, General and Administrative expense for the year increased 38% from $6.0 million last year to $8.2 million in the 2002 fiscal year mainly due to the inclusion of CBL for the full year.

At Cangene, we continue to fill needs. We are targeting infectious diseases; we make life-saving drugs; we provide needed manufacturing capacity in highly specialized areas and we offer our shareholders a stable financial base with growth potential.

Dr. John Langstaff
President & Chief Executive Officer
October 30, 2002

Report Card 2002 ::

STATED 2002 OBJECTIVE	PROGRESS
Begin trial of new hyperimmune	*Vaccinia* immunoglobulin; major contract signed with U.S. CDC
File WinRho SDF® for European Union	Preparing submission materials
File licence submission for LEUCOTROPIN® in Canada	Preparing submission materials
File licence application for human growth hormone in U.S.	Preparing submission materials
Submit liquid WinRho SDF® application in U.S.	Preparing submission materials
Begin trial of new recombinant biopharmaceutical	Preparing materials

Filling the Need

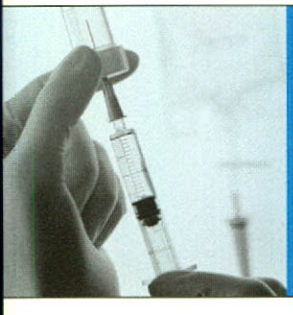
Cangene reached 37th in *Med Ad News* magazine's list of The World's Top 100 Biotechnology Companies based on sales revenue. In the same review Cangene was 26th by number of employees and 84th in R&D spending.

Cangene ranked number 281 in the *Report on Business* Top 1000 based on after-tax profit (up from 374th in 2001), and was 6th in its Biotechnology & Pharmaceutical list in terms of revenue.

On WorldPharmaWeb's resource site, Cangene was 35th on the Top 50 Biotechnology Companies list.

Manitoba Business Magazine ranked Cangene 50th overall in terms of revenue in its Top 100 Companies survey.

Hyperimmune technology is well suited to counter **infectious** agents; **anthrax**, hepatitis, Ebola, *Vaccinia* and chicken pox top Cangene's list.



Filling the Need

Innovative hyperimmunes often reach markets faster than new products in other therapeutic categories.

In 1796 British country doctor, Edward Jenner, recognized the power of the immune system for fighting infectious disease; he discovered vaccination and stopped the smallpox epidemic. Cangene also recognizes the power of the immune system and has concentrated for several years on developing hyperimmune products – purified natural antibodies – that may answer an increasing world need for defense against infectious diseases. Cangene's process for manufacturing hyperimmunes is well established. Generally, new products enter clinical development in Phase II, thus significantly reducing the time and cost for developing new drugs.

Hyperimmunes can be used to provide a patient with immediate immunity, either when there isn't time to wait for a vaccine response or when their immune system isn't functioning properly. As the ability to treat infectious diseases becomes ever more compromised by multidrug antibiotic-resistant bacteria and the global migration of viruses, immunotherapy becomes an increasingly attractive alternative. Hyper-immunes also have a role in government initiatives against bioterrorism.

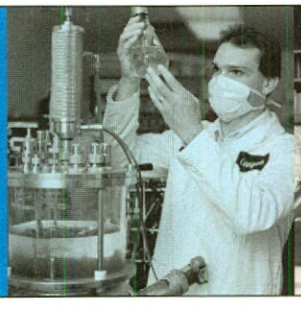
Ironically, two centuries after Jenner's discovery, it is the revived threat of smallpox that lead to the two largest contracts in Cangene's history. One is an agreement with the U.S. Centers for Disease Control and Prevention for Cangene to develop and supply a hyperimmune specific for *Vaccinia* virus, the virus used to make smallpox vaccine. This product, known as VIG, is for treating and preventing the rare but severe reactions that may be brought on by the vaccine. The other agreement, filling small-pox vaccine, is discussed under Contract Manufacturing.

Cangene also recently began a project in partnership with a Canadian federal government initiative to develop therapeutic antibodies against Ebola and Marburg viruses. Currently no effective treatment exists for the hemorrhagic fever these viruses cause.

Cangene's next potential commercial opportunity is with its anti-hepatitis B hyperimmune. It has submitted this product for both Canadian and U.S. regulatory review.

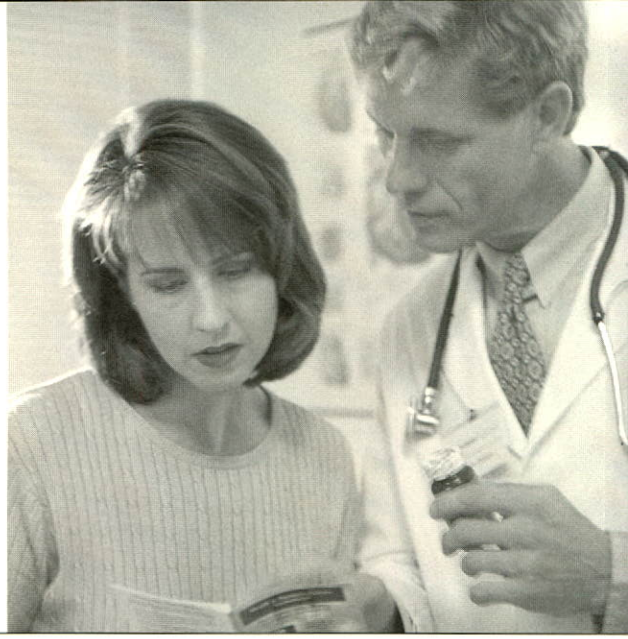
Cangene has two **biogenerics** poised for regulatory submission, making it a **leader** in this **burgeoning** field.

Filling the Need



"At stake are a clutch of biotech medicines with combined annual sales of around $15 billion that are set to lose patent protection in the next few years."

Ben Hirschler, Reuters
European Pharmaceuticals correspondent



Momentum is growing in the genesis of a biogeneric industry. The European Agency for the Evaluation of Medicinal Products recently adopted a set of guidelines for the comparability of biotechnology-derived proteins. And the subject of how to regulate generic biologics is being discussed in the United States. Generic alternatives to approved products would find ready markets in the increasingly cost-conscious healthcare environment. In addition, in October 2002, the FDA announced that it will now regulate certain types of products as drugs rather than biologics. This change may ease the development of generic biologics.

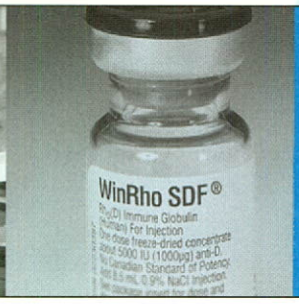
Cangene is a leader in the biogeneric field and well placed to take advantage of this next big wave in the generic pharmaceutical industry. Cost-effective manufacturing is key in developing generic products; Cangene's proprietary CANGENUS® expression system simplifies protein recovery, and a new fermentation facility brings the full manufacturing process in-house.

Cangene's lead biogeneric product, LEUCOTROPIN®, is its version of a protein called GM-CSF that stimulates the production of certain white blood cells. These important immune system cells can be depleted by chemotherapeutic agents and radiation. In addition to a regulatory submission it is preparing for the chemotherapy indication, Cangene recently began a project in partnership with a Canadian government preparedness initiative to develop LEUCOTROPIN® as a therapy for white-blood-cell damage resulting from radiation exposure.

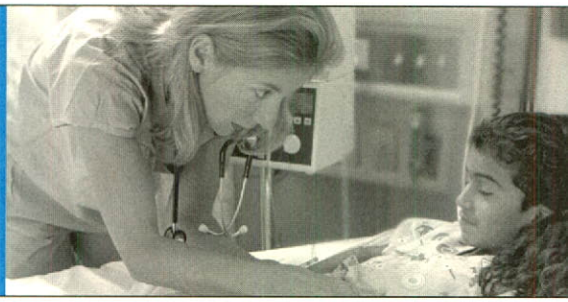
Cangene's second entry in the biogeneric arena is its version of human growth hormone. For historical reasons, hGH has always been regulated as a drug not a biologic, which facilitated Cangene's generic approach. It is preparing to file a regulatory submission for hGH based on bioequivalency data.

This area offers a large potential commercial opportunity and Cangene is competitively placed with an established technology base and manufacturing expertise. The time span for developing biogeneric products could be significantly shorter than for their innovative counterparts, with a concomitant reduction in cost and risk.

WinRho SDF® is the Company's **largest** commercial **product** to date, and its market continues to **grow**.



Filling the Need



WinRho® has treated 2.5 million high-risk pregnancies in more than 35 countries worldwide.

WinRho® has been the mainstay of Cangene's revenue stream for seven years and still accounts for nearly all its biopharmaceutical sales. The drug comprises a concentrated preparation of antibodies specific for the D-antigen on the surface of Rh^+ red blood cells. These antibodies are isolated from human plasma collected from specially selected donors (*see the inside front cover for just one of their stories*). Since WinRho's introduction in Canada 20 years ago, a serious condition called hemolytic disease of the newborn has been virtually eliminated.

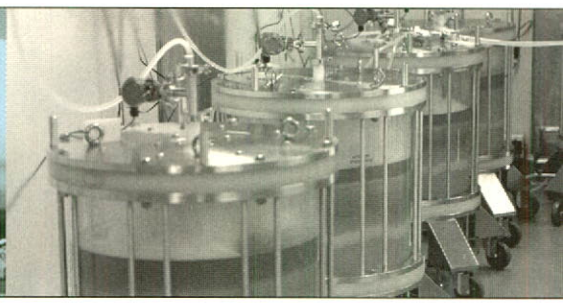
Seven years ago, WinRho® found a new market – treating an autoimmune condition called ITP. The condition causes an often-severe clotting deficiency that affects adults and children, and accounts for WinRho's largest market. WinRho's orphan drug status in the U.S. expired this year.

WinRho SDF® is widely recognized as one of the leading products of its kind worldwide, and international sales have grown steadily. Cangene is preparing to file WinRho SDF® for marketing in the European Union and anticipates growing international ITP use will provide key market expansion going forward.

The process Cangene developed to concentrate and purify the antibodies used to make WinRho SDF® forms the basis for the rest of its hyperimmune program.

Contract-manufacturing **revenue** for 2002 **increased** by 74% over last year and contributed **48%** of Cangene's total sales.

Filling the Need



"Demand for microbial fermentation and mammalian cell culture production capacity is expected to soar in the next few years as multiple biotechnology drugs in the pipeline make it to commercial markets."

Sandra Fox, Genetic Engineering News, October 1, 2002

For the first time, contract-manufacturing revenue nearly equalled biopharmaceutical sales on Cangene's income statement. The increase reflects the segment's increased importance in Cangene's business mix, and is due largely to growth at its wholly-owned Chesapeake Biological Laboratories, Inc. subsidiary ("CBL"). When CBL landed a subcontract related to the U.S. Centers for Disease Control and Prevention ("CDC") contract to fill smallpox vaccine, then the Company's largest-ever contract, it was hard at work building a dedicated vaccine-filling facility. The new CBL facility will focus on meeting the growing need for certain manufacturing services related to a number of viral products and vaccines that are currently in development.

CBL specializes in technically complex processes – filling injectable products, handling process-sensitive compounds and providing regulatory support.

Cangene is recognized as an expert in developing and manufacturing certain types of drugs and recently was awarded another CDC contract to develop and supply an innovative hyperimmune specific for the bacteria that cause anthrax. The goal is to produce an FDA-licensable product.

By expanding into contract research and contract manufacturing, Cangene adds to its revenue stream, gains economies of scale, and benefits as other biopharmaceutical companies grow and develop new products for which they need commercial manufacturing capacity. The diversification furthers Cangene's low-risk strategy, and it offers growth potential and additional financial stability.

2002 :: Cangene Product Pipeline

PRODUCT ::	DESCRIPTION ::	INDICATION ::
WinRho SDF®	Hyperimmune – Purified antibody specific for Rh^+ red blood cells (also called anti-D immunoglobulin)	Preventing Hemolytic Disease of the Newborn and treating ITP (an autoimmune platelet disorder)
VariZIG™	Hyperimmune – Purified antibody specific for *Varicella zoster* virus (chicken pox virus)	Preventing chicken pox during pregnancy
Anti-hepatitis B	Hyperimmune – Purified antibody specific for hepatitis B virus	Preventing post-exposure hepatitis B infection
VIG	Hyperimmune – Purified antibody specific for *Vaccinia* (the virus used to make smallpox vaccine)	Treating and preventing severe reactions that may accompany smallpox vaccinations
Anti-anthrax	Hyperimmune – Purified antibody specific for *Bacillus anthracis*, the bacteria that cause anthrax	Treating critically ill people who have anthrax
Anti-Ebola/ Marburg	Antibodies to Ebola or Marburg viruses	Treating/preventing hemorrhagic fever caused by Ebola or Marburg viruses
LEUCOTROPIN®	Biopharmaceutical – Granulocyte-Macrophage Colony-Stimulating Factor (GM-CSF), a protein that enhances mature, infection-fighting white-blood-cell production	Enhancing mature white-blood-cell production in stem cell transplantation for cancer patients
LEUCOTROPIN®	Biopharmaceutical – Granulocyte-Macrophage Colony-Stimulating Factor (GM-CSF), a protein that enhances mature, infection-fighting white-blood-cell production	Protection against radiation exposure
Human growth hormone	Biopharmaceutical – Human growth hormone, a protein that promotes growth of long bones before puberty	Children with growth hormone deficiency and girls with Turner's Syndrome
CNJ R05	Biopharmaceutical – Recombinant protein	Undisclosed
IgA	Innovative – Specific class of antibodies; possible platform technology	Various

The above table and other sections of this report contain certain forward-looking comments that involve risks and uncertainties. While the comments reflect management's judgment, there can be no guarantees with such events as regulatory approval, clinical trial progress, the commercial or technical success of new products, the actions of competitors, or the availability of raw materials. Actual results may differ materially from those projected.

STATUS ::				
PRECLINICAL / RESEARCH	PHASE I	PHASE II	PHASE III	APPROVED
				
				 In Canada
	Modified Clinical	Trial Program		

Management's Discussion and Analysis of Financial Condition and Results of Operations ::

This review contains Management's discussion of the Company's operational results and financial condition, and should be read in conjunction with the accompanying financial statements and associated notes.

Overview

Cangene Corporation is a leading Canadian biopharmaceutical company in the business of developing, manufacturing and commercializing products and technologies for global markets. Revenues are generated by product sales, contract manufacturing, contract research and development, and royalties. Generally, the Company manages its business and evaluates performances based on two operating segments: biopharmaceutical operations and contract manufacturing. Cangene has two different categories of products in development: hyperimmune products, which are concentrated specialty antibody preparations made from human plasma; and recombinant biopharmaceuticals, which are therapeutic proteins made by introducing a particular gene into a host organism, which in turn produces the protein of interest. Apotex Holdings Inc., the parent company of Apotex Inc. (a leader in the Canadian generic drug industry), holds approximately 82% of Cangene's common stock. Eighty-three percent of sales are from non-Canadian customers and are transacted mostly in U.S. dollars.

WinRho SDF® is the Company's lead product. The majority of biopharmaceutical revenues relates to sales of this product, which the Company markets in about 35 countries worldwide. This revenue supports Cangene's research and development of additional hyperimmune products. The Company continues to seek additional markets for this product. Cangene's second hyperimmune product, VariZIG™, is an antibody to the chicken pox virus. An anti-hepatitis B product is the third hyperimmune in Cangene's pipeline. The Company is awaiting licensure of this product after having filed a Biologics License Application ("BLA") with the FDA and a New Drug Submission ("NDS") in Canada, seeking approval for use of the drug for post-exposure prevention of hepatitis B infection.

The Company has a program developing generic versions of recombinant biopharmaceuticals. Cangene has completed clinical trials for the first two products in this category, LEUCOTROPIN® ("GM-CSF") and human growth hormone, and is preparing regulatory submissions. The Company's development of a specified number of recombinant biopharmaceuticals is tied to a $67.5-million agreement, expiring December 31, 2003, with Apotex Inc. To date, Cangene has received approximately $59.6 million under the agreement. The Company expects this funding to be advanced by the end of fiscal 2003.

Cangene has an ongoing innovative R&D program that provides further opportunities for long-term future growth.

The Company's other operating segment, contract manufacturing, continues to contribute significant revenues to the overall operation. Its revenues rose to 48% of overall sales for fiscal 2002, and the Company expects continued growth in this area in 2003.

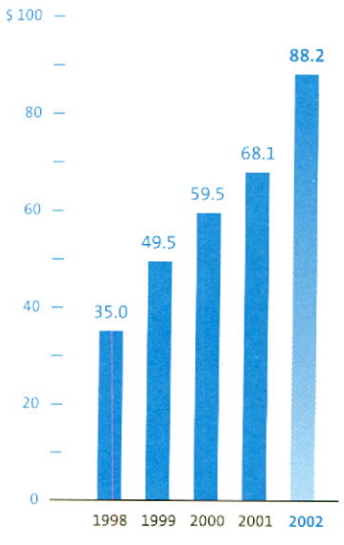
New Developments

Cangene's wholly-owned subsidiary, Chesapeake Biological Laboratories, Inc. ("CBL") was contracted to participate in the production of approximately 155 million doses of smallpox vaccine with Acambis Inc. early in fiscal 2002. As a contract manufacturer specializing in filling injectable products, CBL will provide the final filling, freeze-drying and finishing stages of the manufacturing process. This contract is the largest single contract that CBL has secured to date. As a result of CBL's participation in this contract, the Company made a significant investment in the construction of a new viral vaccine-filling facility adjacent to CBL's main operations in Baltimore, Maryland.

Cangene filed a New Drug Submission in Canada for its anti-hepatitis B hyperimmune during the year. The submission followed a U.S. licensing application filed at the end of fiscal 2001, and seeks Health Canada (Health Products and Food Branch) approval for use of the drug in treating individuals exposed to hepatitis B. The Company plans subsequent filings in Europe.

During the year, the Company renegotiated its research and development agreement with Apotex. The original agreement provided $55.0 million in funding for up to eight years. Apotex has agreed to extend the existing agreement, which supports development of certain recombinant biopharmaceuticals in Cangene's pipeline, by a further $12.5 million over an eighteen-month period.

GROSS REVENUE*
(in millions)



* Sales + Research and Other income

The Company has an ongoing agreement with Apotex Research Inc. ("ARI") for the drug known as deferiprone. Under the agreement, Apotex is responsible for marketing the product worldwide and Cangene receives 50% of any net profits from the sales. In return, Apotex received warrants to purchase 5,300,000 common shares of the Company. One half of these warrants expired on November 5, 2001, and the remaining warrants expire if not exercised by November 5, 2003. These warrants became exercisable when the Company's share of profits reached $2.0 million during a twelve-month period; the Company earned $2.6 million with respect to sales of deferiprone during fiscal 2002.

Immediately subsequent to year-end, the Company announced that it had been awarded a contract by the United States Centers for Disease Control and Prevention ("CDC") to develop and supply a *Vaccinia* immune globulin ("VIG") for use in treating and preventing severe reactions that may be brought on by the administration of smallpox vaccine. The contract is for a five-year period to supply a maximum of 100,000 doses of VIG. The CDC will order product under this contract on an as-needed basis. Separately, but in conjunction with this contract, the CDC will fund approximately $11.5 million for certain research and development costs associated with the product.

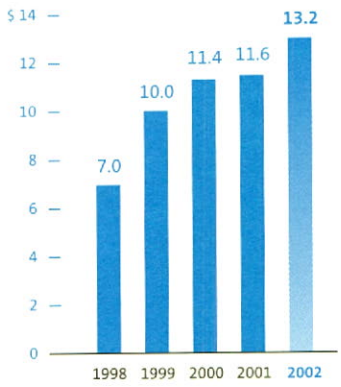
The Company has also announced that it will undertake two research and technology projects as part of an initiative aimed at improving Canada's readiness in the event of chemical, biological, radiological or nuclear incidents ("CBRN"). The projects will be funded by the CBRN Research and Technology Initiative ("CRTI"), an interdepartmental federal government initiative mandated to improve Canada's ability to respond to CBRN incidents, and will be managed by Defence R&D Canada. The first project aims Cangene's expertise in developing therapeutic antibodies at Ebola and Marburg viruses. Both viruses cause hemorrhagic fever and no effective therapeutic or prophylactic treatments exist. Within this project, Cangene will develop both polyclonal (isolated from plasma) and monoclonal (produced in the laboratory) antibodies to the viruses, and assess safety and efficacy of the products. These antibodies may also be useful in diagnostic applications. The second technology-acceleration project seeks to demonstrate the utility of Cangene's LEUCOTROPIN® as a treatment for white-blood-cell damage resulting from radiation exposure.

Cangene has also been awarded a contract by the CDC to research and develop a clinical-grade hyperimmune globulin to be used as an adjunct to antibiotic therapy in critically ill patients with anthrax. Under this initial program, the hyperimmune globulin will be used for preclinical studies, as well as human compassionate use and safety testing. This innovative hyperimmune globulin will be used initially under an Investigational New Drug application. The goal of the program is to have available an FDA-licensable product.

Competition and Markets

The Company continues to seek to expand its market for the sale of WinRho SDF® in all jurisdictions. The majority of the product's sales in Canada are for the suppression of Rh isoimmunization in pregnant, non-sensitized Rh-negative women (hemolytic disease of the newborn). The product is also licensed for the treatment of ITP, a clotting disorder, and additional sales opportunities exist within this indication. Conversely in the United States, the majority of sales of WinRho SDF® are for ITP. The Company's Orphan Drug Status for this indication expired during 2002. Competitors may now enter the marketplace after receiving regulatory approval. Cangene is not aware of any other company that has received regulatory approval for a similar hyperimmune for the ITP indication in the U.S. market. Nabi Biopharmaceuticals, the Company's U.S. distributor, continues to expand the market, and the Company believes that additional opportunities exist for this product in both ITP and HDN. Ongoing product developments will hopefully lead to expanded sales opportunities in the United States. WinRho SDF® has received licensure in the U.K., Ireland and Portugal, and the Company is actively pursuing licensure across Europe. Regulatory filings are being prepared for a number of additional jurisdictions throughout the world also.

R&D SPENDING*
(in millions)



* After applying investment tax credits

Cangene is pursuing a generic strategy for certain products in its recombinant biopharmaceutical pipeline. As such, it will compete with already established products in the marketplace. Cangene believes that cost-containment issues within healthcare institutions make the environment favourable for competing on the basis of price. It believes that its manufacturing expertise and cost-effective production technologies will allow it to manufacture products of the highest quality at competitive prices. Both LEUCOTROPIN® and human growth hormone, the Company's second recombinant product, will compete with similar products manufactured by other companies; however, both products address large markets.

Risk Factors

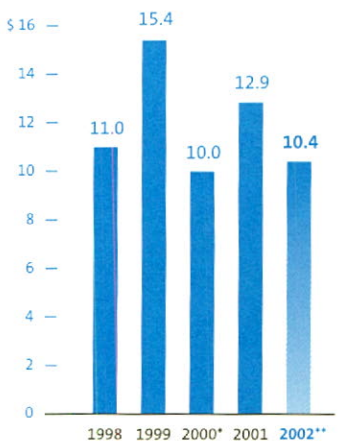
While Cangene does have one product generating significant sales, and has contract-manufacturing revenue and royalty income, most of its products are still under development. There can be no assurance at this stage that any new products the Company develops will receive regulatory approval. If approved, some of these products will compete with established products of proven safety and efficacy, the manufacturers of which can be expected to employ intellectual property challenges against commercialization of these products by Cangene. There can be no assurance that the Company's products will be commercialized or, if commercialized, that medical centres, hospitals, physicians, or patients will accept them in lieu of existing treatments. Accordingly, there can be no assurance that these products can be successfully manufactured and marketed at prices that would permit the Company to operate profitably. Successful commercialization of products may also rely on Cangene's ability to establish future strategic alliances and distribution arrangements.

Cangene has profitably sold WinRho SDF® in 35 countries worldwide; however, there can be no guarantees that patient and physician demand will continue, or that successful competitors will not enter the marketplace. Cangene relies on third-party distributors in many international markets and cannot guarantee that they will continue effectively selling product or will successfully register product in new jurisdictions.

Cangene's contract-manufacturing business segment, including its CBL subsidiary, has shown strong growth. The Company cannot guarantee that it will continue to attract new customers or that new competitors will not limit market opportunities; revenues may fluctuate based on customer needs. Government contracts depend on government requirements that can change, resulting in modifications to quantities ordered and/or delivery timeframes, thus future revenues may fluctuate significantly. Furthermore, Cangene's abilities to meet future requirements may change.

As discussed above, the Company plans a generic approach to the licensing of its biopharmaceutical products. There can be no assurance that regulatory agencies will accept this approach for all the products; if the strategy is found unacceptable by regulatory agencies, the Company would have to follow a full clinical-trial program for its biopharmaceutical drugs, which could materially slow their commercialization.

NET INCOME
(in millions)



* Includes $5.0 million income tax expense and a special, non-recurring charge of $4.5 million after tax

** Includes a $5.0 million charge against goodwill

Cangene's profitable manufacture of its current and future hyperimmune products requires the availability of plasma with sufficient antibody levels. Cangene believes it has adequate supplier relationships. There can be no guarantees, however, that shortages will not occur or that plasma prices will not increase significantly, resulting in lower margins.

Cangene's continued ability to manufacture and ship product is subject to numerous regulatory requirements, which are complex and evolving. The continued supply of product can be interrupted should compliance become an issue. There can be no guarantees that the Company will remain in compliance at all times, although the Company undertakes a very stringent quality control, quality assurance and regulatory review process internally, on a continual basis.

Cangene relies on certain key personnel. Its business could be adversely affected if the Company is unable to attract or retain personnel in key areas.

Cangene sells most of its product internationally and the majority of sales are transacted in U.S. dollars; currency fluctuation could affect future profits. Although political events have had limited effect on the Company's ability to ship product in the past, there can be no guarantees that world events will not impede the distribution of products in the future.

The stock prices of biopharmaceutical companies, including Cangene, can be extremely volatile. The price is affected by the stock market generally and could be subject to wide fluctuations due to factors such as announcements by Cangene or its competitors about strategic relationships or joint ventures; results of clinical trials; announcements by Cangene or its competitors of technological innovations or new commercial products; expense and timeframe for obtaining regulatory approvals for marketing new products; changes in estimates of revenue, operating efficiencies, costs or other financial considerations; or recommendations of securities analysts with respect to investment in Cangene's stock. These market, industry and Company-specific factors may materially affect Cangene's stock price regardless of operating performance.

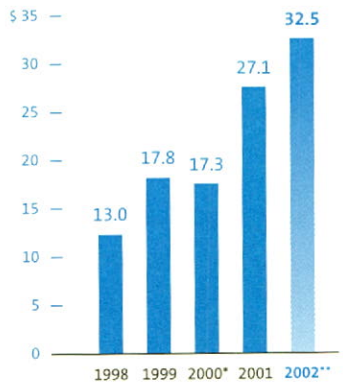
Results of Operations

Fiscal year ended July 31, 2002 compared with fiscal year ended July 31, 2001

Net earnings for the year ended July 31, 2002 were $10.4 million or $0.18 per share, compared to $12.9 million or $0.22 per share for the year ended July 31, 2001. The results for the year reflected an expense of $5.0 million or $0.08 per share related to a charge against goodwill. EBITDA (earnings before interest, taxes, depreciation, amortization and charges against goodwill) for the current year were $32.5 million or $0.55 per share, an increase of 20% over $27.1 million or $0.46 per share in the 2001 fiscal year.

Sales for the year ended July 31, 2002 were $73.1 million, an increase of 33% over sales for the year ended July 31, 2001 of $55.0 million. Sales from Cangene's Baltimore-based contract-manufacturing subsidiary, Chesapeake Biological Laboratories, Inc., are included for the full fiscal year.

EBITDA **
(in millions)



* Includes special, non-recurring charges of $7.2 million

** EBITDA generally refers to earnings before interest, taxes, depreciation and amortization. In 2002 it also excludes a $5.0 million charge against goodwill.

Research revenues were $12.2 million for the year ended July 31, 2002, an increase of $1.4 million or 13% over the 2001 fiscal year. Virtually all the Company's research revenue derives from a research and development agreement with Apotex Inc. To date, the Company has received $59.6 million of a $67.5-million commitment. Research expenditures relating to this contract are expected to decrease somewhat in fiscal 2003, and the Company expects to fully utilize the commitment by its fiscal year-end. Research expenses for fiscal 2002, before accounting for investment tax credits, were $18.8 million, an increase of $2.7 million over $16.1 million in the year earlier.

Selling, General and Administrative expense for the year increased 38% from $6.0 million in the year ended July 31, 2001 to $8.2 million in the 2002 fiscal year. This increase is mainly attributable to the inclusion of CBL for the full year.

In the year ended July 31, 2002, Cangene recorded a $10.2 million income tax expense versus $8.6 million in the previous year. The percentage of tax expense incurred is virtually unchanged year over year. The weighted average number of common shares used in computing earnings per share was 59,580,372 (59,139,034 for 2001). The Company does not believe that inflation had a material effect on its financial statements.

Effective August 1, 2001 the Corporation adopted the new goodwill rules set by the Canadian Institute of Chartered Accountants. Under this new accounting standard, goodwill is no longer amortized, but tested for impairment at least annually. Due to greater uncertainty in the market-place and the negative impact on asset values, management has taken the prudent step of recognizing a goodwill impairment of $5.0 million.

Liquidity and Capital Resources

Cash at July 31, 2002 was $1.5 million, a decrease of $7.4 million from the previous fiscal year. This decrease was due to the construction of a new viral vaccine-filling facility at CBL.

The Company finances its operations, product development and capital expenditures through the generation of revenue in its various business divisions and research contracts, and by utilizing its credit facilities from a chartered bank. The Company believes it will generate sufficient cash flow from operations which, together with its current credit facilities, will provide sufficient funds to meet requirements for future operations and capital expenditures of the Company.

Additional Comments

The foregoing report contains certain forward-looking comments that involve risks and uncertainties. While the comments reflect management's judgment, there can be no guarantees with such events as regulatory approval, commercial success of new products, the impact of competitive products, pricing, or the availability of raw materials. Actual results may differ materially from those projected.

Filling the Need

Management's Report ::

The accompanying consolidated financial statements of Cangene Corporation are the responsibility of management and have been approved by the Board of Directors. The financial statements necessarily include some amounts that are based on management's best estimates, which have been made using careful judgment. Management has prepared the financial statements in accordance with Canadian generally accepted accounting principles. Financing and operating data elsewhere in the Annual Report are consistent with the information contained in the financial statements.

In fulfilling its responsibilities, management of Cangene Corporation maintains internal accounting controls. While no system will prevent or detect all errors or irregularities, the controls are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, transactions are properly recorded, and the financial records are reliable for preparing the financial statements.

The Board of Directors carries out its responsibility with respect to the consolidated financial statements primarily through its Audit Committee, which comprises mainly unrelated directors. The Audit Committee meets with management and the external auditors to discuss the annual audit, accounting policies and practices, and other financial reporting matters.

The most recent financial statements have been audited by Ernst & Young LLP, Chartered Accountants, who have full access to the Audit Committee, with and without the presence of management. Their report follows hereafter.

John Langstaff
President and Chief Executive Officer

Alex Glasenberg
Chief Financial Officer

Auditors' Report ::

To the Shareholders of Cangene Corporation

We have audited the consolidated balance sheets of Cangene Corporation as at July 31, 2002 and 2001 and the consolidated statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at July 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada
September 20, 2002.

Ernst & Young LLP,
Chartered Accountants

Consolidated Balance Sheets ::

Cangene Corporation

Incorporated under the laws of Ontario

in thousands of Cdn dollars	As at July 31, 2002	As at July 31, 2001
ASSETS *(notes 8 and 9)*		
Current		
Cash	$ 1,473	$ 8,936
Accounts receivable *(note 3)*	12,975	13,167
Investment tax credits receivable	3,692	5,569
Inventories *(note 4)*	20,898	12,260
Prepaid expenses and deposits	1,585	1,610
Total current assets	40,623	41,542
Property, plant and equipment, net *(note 5)*	80,441	51,068
Goodwill *(note 6)*	51,887	55,289
Intangible assets, net *(note 7)*	1,559	1,387
	$ 174,510	$ 149,286
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness *(notes 8 and 9)*	$ 690	$ 25,000
Accounts payable and accrued liabilities	16,262	12,720
Current portion of long-term debt *(note 9)*	6,530	3,051
Total current liabilities	23,482	40,771
Long-term debt *(note 9)*	66,722	38,082
Deferred income	3,837	3,093
Future tax liabilities *(note 10(a))*	1,796	—
Total liabilities	95,837	81,946
Commitments *(notes 15 and 20)*		
Shareholders' equity		
Share capital *(note 11)*	11,532	10,475
Cumulative translation adjustment *(note 12)*	(110)	48
Retained earnings	67,251	56,817
Total shareholders' equity	78,673	67,340
	$ 174,510	$ 149,286

See accompanying notes

On behalf of the Board:

John Langstaff, Director

Craig Baxter, Director

Consolidated Statements of Income and Retained Earnings ::

in thousands of Cdn dollars except per-share data	Year ended July 31, 2002	Year ended July 31, 2001
Sales	$ 73,085	$ 55,041
Cost of sales	34,245	23,503
Gross margin	38,840	31,538
Income		
Research *(note 15)*	12,191	10,785
Other	2,875	2,318
	15,066	13,103
Expenses		
Research *(note 17)*	13,157	11,620
Selling, general and administrative	8,219	5,955
Depreciation and amortization *(notes 5, 6 and 7)*	3,862	3,668
Interest *(note 9)*	3,020	1,901
Goodwill impairment loss *(note 6)*	5,000	—
	33,258	23,144
Income before income taxes	20,648	21,497
Income tax expense *(note 10)*		
Current	8,418	8,598
Future	1,796	—
	10,214	8,598
Net income for the year	10,434	12,899
Retained earnings, beginning of year	56,817	43,918
Retained earnings, end of year	$ 67,251	$ 56,817
Earnings per share *(note 13)*:		
Basic	$ 0.18	$ 0.22
Diluted	$ 0.16	$ 0.20

See accompanying notes

Consolidated Statements of Cash Flows ::

in thousands of Cdn dollars	Year ended July 31, 2002	Year ended July 31, 2001
OPERATING ACTIVITIES		
Net income for the year	$ 10,434	$ 12,899
Add (deduct) items not involving cash		
Depreciation and amortization	3,862	3,668
Net investment tax credits *(note 18 (b))*	1,922	3,854
Deferred income recognized	384	(649)
Future income tax expense	1,796	—
Goodwill impairment loss	5,000	—
	23,398	19,772
Net change in non-cash working capital balances related to operations *(note 18(a))*	(4,795)	(14,871)
Cash provided by operating activities	18,603	4,901
INVESTING ACTIVITIES		
Business acquisition *(note 14)*	—	(52,827)
Purchase of property, plant and equipment, net	(33,212)	(9,871)
Cost of computer software and establishment licences	(367)	(248)
Contributions received in aid of property, plant and equipment purchases	346	263
Cash used in investing activities	(33,233)	(62,683)
FINANCING ACTIVITIES		
Increase in bank indebtedness, net	690	25,000
Issuance of long-term debt	15,197	25,829
Repayment of long-term debt	(9,777)	(1,273)
Proceeds on exercise of stock options	1,057	926
Cash provided by financing activities	7,167	50,482
Net decrease in cash during the year	(7,463)	(7,300)
Cash, beginning of year	8,936	16,236
Cash, end of year	$ 1,473	$ 8,936

See accompanying notes

Notes

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied on a consistent basis. The significant accounting policies are summarized below:

Consolidation
These financial statements consolidate the accounts of Cangene Corporation ("the Corporation") and its wholly-owned subsidiaries, Cangene U.S. Incorporated, Chesapeake Biological Laboratories, Inc. ("Chesapeake") *(note 14)*, Biotherapeutic Laboratories, Inc. and Mid-Florida Biologicals, Inc.

Inventories
Inventories are valued at the lower of average cost and net realizable value for finished goods and work-in-process and replacement cost for raw materials.

Property, Plant and Equipment
Property, plant and equipment are recorded at cost, net of investment tax credits. Depreciation is provided on a straight-line basis over the following periods based on the estimated useful lives of the assets:

Buildings	25 – 30 years
Equipment, furniture and fixtures	5 – 10 years
Computer equipment	5 years
Leasehold improvements	Term of lease

Goodwill
Goodwill represents the difference between the purchase price, including acquisition costs, of businesses acquired and the fair value of the identifiable net assets acquired. Effective August 1, 2001, the Corporation prospectively adopted the new standard of the Canadian Institute of Chartered Accountants for accounting for goodwill and, as a consequence, ceased amortizing goodwill as at that date and adopted the goodwill impairment model introduced by the new accounting rules. For the year ended July 31, 2001, goodwill was amortized on a straight-line basis over 20 and 40 years. Management annually assesses the carrying value of goodwill using its best estimate of undiscounted future cash flows and recognizes any impairment in carrying value when it is identified.

Intangible assets
Amortization is provided on a straight-line basis over 10 and 25 years for establishment licences, and 5 years for technology rights and computer software. Management annually assesses the carrying value of intangible assets using its best estimate of undiscounted future cash flows and recognizes any impairment in carrying value when it is identified.

Income taxes
Income taxes are provided for using the liability method. Under this method, differences between the financial reporting bases and the income tax bases of the Corporation's assets and liabilities are recorded using the substantively enacted tax rates anticipated to be in effect when the corresponding taxes will be paid or refunded.

Foreign currency translation

(a) Domestic and integrated foreign operations
Assets and liabilities in foreign currencies related to domestic and integrated foreign operations are translated into Canadian dollars using current exchange rates for monetary assets and liabilities, historical exchange rates for non-monetary assets and liabilities, and the average exchange rate during the year for revenues and expenses except for depreciation and amortization which is translated at the historical exchange rate of the corresponding non-monetary assets. Exchange gains and losses arising on translation are included in income in the period incurred.

(b) Self-sustaining foreign operations

Assets and liabilities of Chesapeake are translated into Canadian dollars using the rate of exchange in effect at the balance sheet date. Revenue and expense items (including depreciation and amortization) are translated at the average exchange rate for the year. Exchange gains and losses arising from the translation are included in the cumulative translation adjustment account, a separate component of shareholders' equity. As well, the exchange gains and losses arising from the translation of the U.S. non-revolving loan *(note 9)* that has been designated as a hedge of the net investment in Chesapeake are also included in the cumulative translation adjustment account.

Revenue recognition

The Corporation recognizes revenue from product sales, net of trade discounts and allowances, upon shipment, when all significant contractual obligations have been satisfied and collection is reasonably assured.

The Corporation has an agreement with a distributor that provides exclusive rights to market and distribute the Corporation's WinRho SDF® product in the United States until March 2005. The Corporation's share of the revenue from sales of WinRho SDF® by the distributor is recognized by the Corporation upon shipment by the distributor from its warehouse to the customer.

Revenue under contract-manufacturing agreements is for commercial manufacturing and development services. Revenue is recognized when goods are shipped or services are provided in accordance with the terms of the related agreements.

Revenue from research contracts is recognized when the related costs are incurred, except for revenue received in respect of equipment used for research and development, which is recorded as deferred income and amortized over the life of the related asset.

Research expenses

Research expenses are charged to income in the year they are incurred, net of related tax credits.

Government assistance

Government assistance in connection with research activities is recognized as an expense reduction in the year that the related expenditure is incurred. Government assistance in connection with capital expenditures is treated as a reduction of the cost of the applicable asset.

Federal and provincial investment tax credits are accounted for as a reduction of the cost of the related assets or expenditures in the year in which the credits are earned and when there is reasonable assurance of their recovery. Investment tax credits recorded in advance of their realization are recorded on the balance sheet as investment tax credits receivable.

Earnings per share

The calculation of earnings per share is based on net income divided by the weighted-average number of common shares outstanding during the year. Diluted earnings per share reflects the assumed conversion of all dilutive securities using the treasury stock method.

Stock-based compensation plan

The Corporation has a stock option plan as described in *note 11(b)*. No compensation expense is recognized when stock options are issued to employees. Any consideration paid by employees upon exercise of stock options is recorded as an increase to share capital.

Financial instruments

Unless otherwise stated in these financial statements, the fair value of the Corporation's financial assets and liabilities approximates their carrying value.

The Corporation uses forward foreign exchange contracts to manage its exposure to foreign currency risk. The Corporation does not enter into financial instruments for trading or speculative purposes. Gains and losses on foreign exchange contracts are marked to market at the balance sheet date.

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from the estimates.

2. CHANGES IN ACCOUNTING POLICIES

(a) Goodwill

Effective August 1, 2001, the Corporation adopted the new recommendations of the Canadian Institute of Chartered Accountants relating to goodwill. Under the new accounting standard, which can only be applied prospectively, goodwill is no longer amortized, but is tested for impairment upon adoption of the new standard and at least annually thereafter.

The following is a reconciliation of net income to reflect the impact of no longer amortizing goodwill effective August 1, 2001:

in thousands of Cdn dollars	Year ended July 31, 2002	Year ended July 31, 2001
Net income, as reported	$ 10,434	$ 12,899
Goodwill amortization	—	868
Net income, adjusted	$ 10,434	$ 13,767

There is no impact on basic or diluted earnings per share.

(b) Earnings per share

Effective August 1, 2001, the Corporation retroactively adopted the new recommendations of the Canadian Institute of Chartered Accountants regarding earnings per share. The principles for calculating basic earnings per share are consistent with previous recommendations; however, diluted earnings per share is now calculated using the treasury stock method. Under the treasury stock method, the weighted-average number of common shares outstanding is calculated assuming that the proceeds from the exercise of options and warrants are used to repurchase common shares at the average price during the year. No adjustment is made to net income for imputed interest in calculating diluted earnings per share as under the previous imputed earnings method. The impact of the new recommendations on the computation of basic and diluted earnings per share is not material for the current and prior years.

3. ACCOUNTS RECEIVABLE

As of July 31, 2002, accounts receivable include approximately $1.5 million (2001 – $3.8 million) due from a major customer and $2.4 million (2001 – $2.4 million) due from Apotex Inc., a company under common control.

4. INVENTORIES

in thousands of Cdn dollars	2002	2001
Raw materials	$ 5,706	$ 3,742
Work in process	11,219	8,272
Finished goods	3,973	246
	$ 20,898	$ 12,260

5. PROPERTY, PLANT AND EQUIPMENT

in thousands of Cdn dollars	2002			2001		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	$ 754	$ —	$ 754	$ 742	$ —	$ 742
Buildings	63,965	4,097	59,868	35,053	2,908	32,145
Equipment						
Production	20,892	6,877	14,015	18,392	5,598	12,794
Other	9,912	6,220	3,692	9,218	5,575	3,643
Furniture and fixtures	1,133	667	466	1,457	872	585
Computer equipment	2,804	2,063	741	1,909	1,295	614
Leasehold improvements	1,643	738	905	1,165	620	545
	$101,103	$ 20,662	$ 80,441	$ 67,936	$ 16,868	$ 51,068

Depreciation expense for the year amounted to $3.7 million (2001 – $2.6 million)

Buildings and equipment in the amount of $18.6 million (2001 – $8.3 million) are currently under development and therefore are not being depreciated.

Interest capitalized as part of the buildings during the year ended July 31, 2002 is $0.5 million (2001 – $Nil).

6. GOODWILL

Goodwill at July 31, 2002 amounted to $51.9 million (2001 – $55.3 million), net of accumulated amortization and writedowns of $6.6 million (2001 – $1.6 million). Goodwill is mainly related to the acquisition of Chesapeake as described in *note 14*.

At July 31, 2002, management conducted an annual review of the carrying value of goodwill and, based on greater uncertainty in the marketplace, decided to recognize a goodwill impairment loss of $5.0 million related to its contract-manufacturing operating segment.

7. INTANGIBLE ASSETS

in thousands of Cdn dollars	2002			2001		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Establishment licences	$ 952	$ 276	$ 676	$ 953	$ 225	$ 728
Technology rights	694	694	—	694	694	—
Computer software	1,174	291	883	804	145	659
	$ 2,820	$ 1,261	$ 1,559	$ 2,451	$ 1,064	$ 1,387

Amortization expense for the year amounted to $0.2 million (2001 – $1.1 million).

8. OPERATING LINES OF CREDIT

In addition to the non-revolving credit facility described in *note 9*, the Corporation has available the following facilities:

(a) The Corporation has available a $1.0-million U.S. revolving line of credit facility, of which $0.5 million U.S. (2001 – $Nil) was utilized at July 31, 2002, collateralized by Chesapeake's inventory and accounts receivable. Interest is payable at LIBOR plus 3%. The effective rate of interest for the year was 5.3% (2001 – 7.4%). This credit facility expires on December 31, 2002.

(b) The Corporation has available, to a maximum of $8.0 million, a revolving-term loan from a Canadian chartered bank, of which $Nil was utilized at July 31, 2002 and 2001, collateralized by a general security agreement in respect to all assets. Interest is payable at the bank's prime lending rate Canadian or U.S. dollar equivalent plus 0.25% or the bank's U.S. dollar base rate plus 0.25%. The effective rate of interest during the year was 5.2% (2001 – 7.2%). The agreement expires on December 31, 2002 and is extendable at the bank's option.

8. OPERATING LINES OF CREDIT *(continued)*

(c) Apotex Holdings Inc., the Corporation's majority shareholder, provides the Corporation with a $5.0-million revolving-term loan. Interest is payable at the prime rate plus 1%. The agreement expires in 2002. The facility has not been utilized in the past three years.

9. LONG-TERM DEBT

in thousands of Cdn dollars	2002	2001
U.S. non-revolving loan, described below.	$ 46,480	$ 26,161
U.S. long-term non-revolving loan, bearing interest at LIBOR plus 1.625%, repayable in monthly instalments of $250,000, collateralized by a general security agreement. The effective rate of interest during the year was 3.5%.	14,570	—
U.S. bond maturing August 1, 2018, variable interest rate (to a maximum of 6.99% to November 2005), monthly principal repayments of $236,000, collateralized by a letter of credit. The effective rate of interest during the year was 4.7% (2001 – 5.8%).	7,365	8,095
U.S. loan, due November 2016, repayable in monthly instalments of $11,798 U.S., bearing interest at 6.5%, collateralized by a second lien on Chesapeake's assets.	2,077	2,097
Manitoba Industrial Opportunities Program loan repayable in quarterly instalments of $167,000, bearing interest at 5.5%, collateralized by a fixed charge on certain land, buildings and equipment.	1,500	2,000
Western Economic Diversification Canada loans, repayable in quarterly instalments of $380,000, non-interest bearing, unsecured.	760	2,280
Industrial Research Assistance Program loan, non-interest bearing, repayable in quarterly instalments based on a percentage of revenues generated from the sale of a particular product commencing May 1, 2004. The loan is forgivable if the product does not go to market and a bonus payment of $250,000 may be payable if the product is successful, unsecured.	500	500
	73,252	41,133
Less current portion	6,530	3,051
	$ 66,722	$ 38,082

The Corporation's bank has provided the Corporation with a U.S. dollar non-revolving credit facility, which translates to $46.5 million Canadian at July 31, 2002 (2001 – $51.2 million). Advances under the credit facility are evidenced by demand promissory notes and banker's acceptances. The Corporation's bank has extended the repayment of $25.0 million Canadian to August 31, 2003. Thereafter, the outstanding principal balance will be amortized over a maximum period of 5 years with equal principal payments to commence in September 2003. At July 31, 2001, the facility had required the repayment of $25.0 million in February 2002 and, as a consequence, this was presented on the balance sheet as current bank indebtedness. The credit facility bears interest at LIBOR plus 1.625%, and is collateralized by a general security agreement. The effective rate of interest during the year was 4.1% (2001 – 6.5%).

Assuming repayment of the above-mentioned non-revolving U.S. loan evenly over the five-year period commencing September 2003, future repayment of long-term debt in the next five years is as follows:

in thousands of Cdn dollars	
2003	$ 6,530
2004	34,689
2005	10,060
2006	9,407
2007	8,991
Thereafter	3,575

Interest expense on long-term debt amounted to $2.7 million (2001 – $1.1 million).

The carrying value of long-term debt exceeds fair value as at July 31, 2002 by approximately $0.9 million (2001 – $0.4 million).

10. INCOME TAXES

(a) Income tax provision

The Corporation's income tax provision is determined as follows:

in thousands of Cdn dollars	2002	2001
Combined statutory federal and provincial tax rate at 45.0% (2001 – 45.7%)	$ 9,292	$ 9,824
Adjusted for		
Goodwill impairment loss not deductible for tax	2,250	—
Current year losses of U.S. subsidiaries for which the tax benefit has not been recognized	94	136
Manufacturing and processing profits deduction	(1,816)	(1,589)
Large Corporations Tax	150	150
Other	244	77
Income tax expense	$ 10,214	$ 8,598

The Corporation's future tax liability at July 31, 2002, in the amount of $1.8 million (2001 – $Nil), reflects the tax effect of the temporary differences between the net book value of depreciable assets and the related undepreciated capital cost for tax purposes.

(b) Tax losses of U.S. subsidiaries

In addition to the pre-acquisition non-capital loss carry forwards of Chesapeake described in *note 14*, there are non-capital losses of U.S. subsidiaries available for federal carryforward purposes, as follows:

Year of Expiry	*in thousands of U.S. dollars*
2003	$ 35
2004	49
2005	226
2006	71
2008	49
2013	33
2020	1,631
2021	255
2022	213
	$ 2,562

The benefit of these losses has not been given recognition in the financial statements.

11. SHARE CAPITAL

(a) Authorized and issued

The Corporation's authorized share capital comprises an unlimited number of preferred shares, Class A preferred shares and common shares.

Issued share capital comprises common shares as follows:

in thousands of Cdn dollars except share data	Number of shares	
July 31, 2000	59,051,370	$ 9,549
Stock options exercised	379,800	926
July 31, 2001	59,431,170	10,475
Stock options exercised	364,775	1,057
July 31, 2002	59,795,945	$ 11,532

(b) Stock options

The Board of Directors may authorize the issuance of up to 8 million common shares upon the exercise of options by employees and directors under a stock option plan, provided that the number of options outstanding to any one individual at any time does not exceed 5% of the outstanding shares. The exercise price of options granted under the plan cannot be lower than the market price of the Corporation's common shares on the date that the options are granted. These options expire no later than five and eight years after the date they are granted for directors and employees, respectively, and vest evenly over a period of four fiscal years.

A summary of the status of the Corporation's stock option plan as of July 31, 2002 and 2001 and changes during the years ending on those dates is presented below:

	2002		2001	
	Number of Shares	Weighted-average exercise price	Number of Shares	Weighted-average exercise price
Outstanding at beginning of year	5,031,350	$ 4.71	4,196,450	$ 4.01
Granted	816,550	9.31	1,272,500	6.42
Exercised	(364,775)	2.90	(379,800)	2.44
Cancelled	(50,600)	7.00	(57,800)	6.14
Outstanding at end of year	5,432,525	$ 5.50	5,031,350	$ 4.71
Options exercisable at end of year	3,816,888	$ 4.67	3,140,000	$ 3.90

The following table summarizes information about share options outstanding at July 31, 2002:

	Options Outstanding			Options Exercisable	
Exercise price	Number outstanding	Weighted-average remaining contractual life	Weighted-average exercise price	Number outstanding	Weighted-average exercise price
$ 1.41	120,000	1.4 years	$ 1.41	120,000	$ 1.41
2.04	642,250	3.0	2.04	642,250	2.04
3.55	682,725	3.0	3.55	682,725	3.55
3.50	643,975	3.5	3.50	643,975	3.50
4.65	594,025	4.5	4.65	416,225	4.65
4.67	50,000	5.3	4.67	37,500	4.67
8.03	659,700	5.2	8.03	483,025	8.03
6.25	967,100	6.2	6.25	469,250	6.25
7.04	256,200	6.8	7.04	117,800	7.04
9.31	816,550	7.3	9.31	204,138	9.31
$ 1.41–9.31	5,432,525	4.9 years	$ 5.50	3,816,888	$ 4.67

(c) Employee Share Ownership Plan

Under the terms of the Corporation's Employee Share Ownership Plan, effective January 1, 2001, employees can choose to have up to 5% of their annual gross earnings, to a maximum of $10,000, withheld each year to purchase publicly-traded common shares of the Corporation. The Corporation will match 20% of all contributions made by employees, which vest immediately. Under the plan, employees acquired 16,160 shares in 2002 (2001 – 10,758).

(d) Warrants

At July 31, 2002, there are 2.65 million warrants outstanding for the purchase of common shares with an exercise price of $2.32 per common share and an expiry date of November 5, 2003. During the year ended July 31, 2002, 2.65 million warrants expired.

(e) Reverse share split

On June 27, 2000, the Corporation received shareholder approval to consolidate its outstanding common shares on a three-to-one basis. The Corporation has not yet determined a date for the consolidation.

12. CUMULATIVE TRANSLATION ADJUSTMENT

Unrealized translation adjustments, which arise on the translation to Canadian dollars of assets and liabilities of the Corporation's self-sustaining foreign operation and the related foreign currency debt designated as a hedge of the net investment in Chesapeake, resulted in an unrealized currency translation loss during the year ended July 31, 2002 of $158,000 (2001 – unrealized translation gain of $48,000). The unrealized loss resulted from the weakening of the Canadian dollar against the U.S. dollar.

13. EARNINGS PER SHARE

The following is a reconciliation between basic and diluted earnings per share:

in thousands of Cdn dollars except share-related data		2002		2001
Net income	$	10,434	$	12,899
Weighted-average number of common shares outstanding	#	59,580,372	#	59,139,034
Dilutive effect of				
Warrants		2,393,024		3,733,631
Stock options		2,113,060		1,826,156
Diluted weighted-average number of shares outstanding	#	64,086,456	#	64,698,821
Earnings per share:				
Basic	$	0.18	$	0.22
Diluted	$	0.16	$	0.20

For the year ended July 31, 2002, no options (2001 – 678,350 options) were excluded from the calculation of diluted earnings per share. When the exercise price of options exceeds the average market price of the Corporation's common shares for the year, options are excluded from the calculation.

14. BUSINESS ACQUISITION

Effective January 31, 2001, the Corporation, through its wholly-owned subsidiary Cangene U.S. Incorporated, acquired 100% of the outstanding shares of Chesapeake, which operates a biopharmaceutical contract-manufacturing facility in Baltimore, Maryland. This transaction was accounted for using the purchase method. Chesapeake's net assets acquired at assigned fair values and the consideration given are as follows:

14. BUSINESS ACQUISITION *(continued)*

in thousands of Cdn dollars	
Net assets acquired, at fair values:	
Working capital	$ 134
Property, plant and equipment	14,870
Long-term debt	(13,967)
Goodwill	51,790
Consideration – cash	$ 52,827

Chesapeake has $8.1 million U.S. in pre-acquisition non-capital loss carry forwards that are available for federal carryforward purposes. They are partially restricted and to that extent, may not be entirely available for use in future years. The benefit of these losses has not been given recognition in the financial statements. Should they be recognized in the future, they will be offset by a corresponding decrease in the value of goodwill.

15. APOTEX RESEARCH AND DEVELOPMENT AGREEMENT

The Corporation has a $67.5-million agreement, expiring December 31, 2003, with Apotex Inc. to support the development of certain biopharmaceutical products. This amount was increased by $12.5 million during the year specifically to complete the development and filing of two products. Currently, virtually all of the Corporation's research revenue is earned under this agreement. To July 31, 2002, the Corporation has received $59.6 million (2001 – $47.4 million). Research revenue is based on the direct research costs plus a contribution to overhead. Under this agreement, Apotex Inc. will be entitled to receive a 12% royalty on net sales of certain biopharmaceutical products developed by the Corporation and a right to distribute the products. Apotex Inc. and the Corporation will share profits equally after deducting royalty expenses. No sales of biopharmaceutical products developed pursuant to this agreement have been made to July 31, 2002.

16. DEFERIPRONE AGREEMENT

On November 5, 1996, the Corporation acquired the rights to a new drug, deferiprone, from Apotex Research Inc., a company under common control, in exchange for warrants to purchase 5.3 million common shares of the Corporation of which 2.65 million expired during the year *(note 11(d))*. The Corporation receives 50% of any net profits from sales of the drug worldwide. During the year ended July 31, 2002, the Corporation earned revenue of $2.6 million (2001 – $1.4 million), representing its share of the net profits from the worldwide sales of deferiprone.

17. GOVERNMENT ASSISTANCE

In addition to the non-interest bearing government loans *(note 9)*, the Corporation has received a nominal amount of assistance from government agencies and these amounts have been included in the determination of income as a reduction in research expenses. Federal and provincial investment tax credits, relating to scientific research activities and amounting to $5.5 million (2001 – $4.5 million), were similarly included in the determination of income. In addition, investment tax credits, relating to capital expenditures and amounting to $0.6 million (2001 – $2.0 million), were accounted for as a reduction of the cost of the applicable assets.

18. SUPPLEMENTARY INFORMATION FOR CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Net decrease (increase) in non-cash working capital balances related to operations:

in thousands of Cdn dollars	2002	2001
Accounts receivable	$ 297	$ (606)
Inventories	(8,590)	(5,517)
Prepaid expenses and deposits	36	(600)
Accounts payable and accrued liabilities	3,462	(8,148)
	$ (4,795)	$ (14,871)

(b) Net investment tax credits utilized (earned) associated with research activities are as follows:

in thousands of Cdn dollars	2002	2001
Research expenses reduced by investment tax credits earned	$ (5,479)	$ (4,470)
Income tax expense not requiring a current cash payment due to the utilization of investment tax credits	7,401	8,324
	$ 1,922	$ 3,854

(c) Cash paid for interest and income taxes:
During the year ended July 31, 2002, the Corporation paid $3.0 million (2001 – $1.8 million) and $0.5 million (2001 – $0.3 million) for interest and income taxes respectively.

19. SEGMENT INFORMATION

The Corporation manages its business and evaluates performance based on two operating segments: biopharmaceutical operations and contract manufacturing. The accounting policies of the Corporation's operating segments are the same as those described in *note 1*. The following presents segment operating results for the years ended July 31, 2002 and July 31, 2001, and identifiable assets as at July 31, 2002 and July 31, 2001:

in thousands of Cdn dollars	2002			2001		
	Biopharmaceutical operations	Contract manufacturing	Total	Biopharmaceutical operations	Contract manufacturing	Total
Sales	$ 38,123	$ 34,962	$ 73,085	$ 34,912	$ 20,129	$ 55,041
Cost of sales	13,189	21,056	34,245	10,872	12,631	23,503
Gross margin	24,934	13,906	38,840	24,040	7,498	31,538
Income						
Research	12,191	—	12,191	10,785	—	10,785
Other	2,874	1	2,875	2,318	—	2,318
	15,065	1	15,066	13,103	—	13,103
Expenses						
Research	13,157	—	13,157	11,620	—	11,620
Selling, general and administrative	3,529	4,690	8,219	3,647	2,308	5,955
Depreciation and amortization	2,283	1,579	3,862	2,237	1,431	3,668
Interest	271	2,749	3,020	20	1,881	1,901
Goodwill impairment loss	—	5,000	5,000	—	—	—
	19,240	14,018	33,258	17,524	5,620	23,144
Income (loss) before income taxes	20,759	(111)	20,648	19,619	1,878	21,497
Income taxes	8,267	1,947	10,214	7,806	792	8,598
Net income (loss) for the year	$ 12,492	$ (2,058)	$ 10,434	$ 11,813	$ 1,086	$ 12,899
Assets	$ 68,027	$106,483	$174,510	$ 68,430	$ 80,856	$149,286
Additions to property, plant and equipment, intangible assets, and goodwill	$ 4,696	$ 28,252	$ 32,948	$ 9,403	$ 52,506	$ 61,909

Other revenue consists mainly of net profits received from the sale of deferiprone as described in *note 16*.

19. SEGMENT INFORMATION *(continued)*

Geographic information about the Corporation's revenue is based on the product shipment destination or the location of the contracting organization. Assets are based on their physical location as at July 31, 2002 and July 31, 2001:

in thousands of Cdn dollars	2002		2001	
	Revenue	Property, plant and equipment, intangible assets, and goodwill	Revenue	Property, plant and equipment, intangible assets, and goodwill
Canada	$ 12,153	$ 38,698	$ 8,230	$ 36,495
United States	52,253	95,189	38,846	71,249
International	8,679	—	7,965	—
	$ 73,085	$133,887	$ 55,041	$107,744

Sales to one customer represent 64% (2001 – 62%) and 4% (2001 – 29%) of the revenue of the biopharmaceutical and contract manufacturing operating segments, respectively.

20. COMMITMENTS

(a) Operating leases

At July 31, 2002, the Corporation had commitments under operating leases requiring minimum annual payments as follows:

in thousands of Cdn dollars	
2003	$ 4,495
2004	3,903
2005	3,608
2006	2,224
2007	710
Thereafter	631
	$ 15,571

(b) Royalties

Under an agreement expiring in 2005, the Corporation pays royalties to the New York Blood Center, Inc. based on 3% of sales of WinRho SDF®. During the year, these royalties amounted to $1.1 million (2001 – $1.0 million).

(c) Forward foreign exchange contracts

The Corporation has entered into forward foreign exchange contracts to sell U.S. dollars totalling $12.0 million (2001 – $Nil) with maturity dates from December 2002 to June 2003 at exchange rates ranging from 1.5832 to 1.5940. The unrealized gain on these contracts at July 31, 2002 is $137,000 (2001 – $Nil).

21. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the financial statements, the Corporation had sales of $4.8 million (2001 – $1.8 million) and purchases of $0.6 million (2001 – $0.1 million) with companies under common control. These transactions occurred in the normal course of operations and were recorded at their exchange amount.

22. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

Glossary ::

Antibody A protein made by white blood cells that reacts with a specific foreign protein (antigen) as part of the immune response; autoimmune disorders occur when the body inappropriately makes antibodies against its own tissues or cells. Structure and function define different classes of antibodies. These include IgG, IgA and IgE.

Antigen See antibody

Bioequivalence/Bioavailability Comparison of a test drug with a reference (approved) drug

BLA Biologics License Application; a U.S. regulatory filing

CDC United States Centers for Disease Control and Prevention

cGMP Current Good Manufacturing Practices

FDA United States Food and Drug Administration: a regulatory body

HDN Hemolytic Disease of the Newborn; a serious blood-type incompatibility between a pregnant woman and the fetus

Hyperimmune A highly-purified preparation of specific antibodies made from specialty human plasma. Generally these are antibodies of the IgG class.

Immunoglobulin Class of proteins that function as antibodies

ITP Immune Thrombocytopenic Purpura; an autoimmune disorder causing abnormal destruction of blood platelets, potentially leading to severe bleeding

Monoclonal antibody Antibodies made from a single source or clone of cells that recognize only one kind of antigen

NDA New Drug Application (U.S.)

NDS New Drug Submission (Canada)

Orphan Drug FDA designation for drugs approved to treat limited patient populations (<200,000); guarantees U.S. market exclusivity for seven years

Plasma The fluid (non-cellular) portion of blood

Platelet Small disk-shaped body in the blood; critical for normal blood-clotting

Recombinant proteins Proteins made from recombinant DNA; often describes proteins made by introducing their genetic information into a selected host cell for commercial production

Rh isoimmunization Antibodies formed in the bloodstream of a woman with a negative blood type against Rh^+ fetal blood

Directors and Officers ::

R. Craig Baxter [1,5] – Director
Mr. Baxter graduated with a B.Comm. from Concordia University and is a Certified Management Accountant. He has 22 years of business experience, 17 of which have been in pharmaceuticals. Mr. Baxter is currently President of Apotex International, Inc. and Executive Vice President of Apotex Inc.

Alex Glasenberg [1,2] – Chief Financial Officer and Director
Mr. Glasenberg graduated with an MBA from Harvard Business School in 1984. He filled various financial positions in a large international conglomerate, as well as serving in the corporate finance division of a large Canadian bank, prior to joining Apotex in 1990. He is currently Vice President – Finance and Chief Financial Officer of Apotex Pharmaceutical Holdings Inc.

Jack M. Kay [1,3] – Director
Mr. Kay has more than 30 years' experience in pharmaceutical management and sales, including 20 years with Apotex. He has academic training in business administration from the University of Manitoba and McGill University. Mr. Kay is President and COO of Apotex Inc., and serves on the board of Barr Laboratories, Inc., a NYSE-listed company. He is Chair of the Canadian Drug Manufacturers Association and the Canadian Schizophrenia Foundation, and is Vice-Chair of Humber River Regional Hospital in Toronto.

John Langstaff [1,3] – President, CEO and Director
Dr. Langstaff graduated from the University of Manitoba with a PhD in Microbiology in 1981. He served as Vice President of Operations and Research at ABI Biotechnology and through its evolution to Rh Pharmaceuticals. Dr. Langstaff became President and CEO when Apotex acquired Rh, a role he continued when Rh amalgamated with Cangene in 1995.

John Nystrom [2,3,4,5] – Director
With more than 30 years of industry experience and 19 years with U.S. consulting firm Arthur D. Little, Inc., Dr. Nystrom joined Cambridge, Massachusetts-based The Medicines Company in 1998, where he was a member of its management committee and Vice-President and Chief Technical Officer until 2002. He is currently Vice President of Manufacturing for Millennium Pharmaceuticals, Inc. in Cambridge, MA.

Bernard C. Sherman [1] – Chairman
Dr. Sherman graduated with a PhD from M.I.T. in 1967 and founded Apotex in 1974. Currently Chairman and CEO of Apotex Inc., Dr. Sherman is a major shareholder of Barr Laboratories, Inc. in the United States. He serves on the Board of Governors for Mount Sinai Hospital and the Baycrest Centre for Geriatric Care in Toronto.

Michael Spino [1] – Director
Dr. Spino completed his Post Doctoral Research Fellowship at the Toronto Western Hospital in 1974. He subsequently worked as a Professor in the Faculties of Pharmacy and Medicine at the University of Toronto, and as a Senior Scientist at the Research Institute, Hospital for Sick Children in Toronto. Dr. Spino joined Apotex Inc. in 1991 where he is Senior Vice President – Scientific Affairs.

Richard W. Taylor [2,3,4,5] – Director
Mr. Taylor has more than 40 years' experience in the health sector. He spent 15 years in senior management positions with the Johnson & Johnson Companies and currently acts as consultant to several healthcare organizations. Mr. Taylor is a member of three advisory committees for Humber College in Toronto.

Officers of Cangene Corporation

William Labossiere Bees – Vice President, Operations
Wendy Johnson – Vice President, Research & Development
John McMillan – Corporate Secretary & General Manager
Andrew Storey – Vice President, Quality Assurance/Clinical & Regulatory Affairs

Officers of Chesapeake Biological Laboratories, Inc.

Narlin Beaty – Vice President & Chief Technical Officer
John Botek – President & Chief Operating Officer
Charles Proby – Vice President Sales & Marketing
Thomas Rice – Chief Executive Officer
Elizabeth Troll – Vice President Quality Assurance and Regulatory Affairs
Vicki Wolff-Long – Vice President Laboratory Services & Project Management

[1] Member of Management Committee
[2] Member of Audit Committee
[3] Member of Strategic Planning Committee
[4] Member of Nominating Committee
[5] Member of Compensation Committee

Corporate Information ::

Annual Meeting of Shareholders
Wednesday, January 29, 2003 at 4:15 pm
The Toronto Stock Exchange Conference Centre
The Exchange Tower
130 King Street West
Toronto, Ontario
M5X 1J2

Share Registrar and Transfer Agent
Computershare Trust Company of Canada
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Chesapeake Website
www.cblinc.com

Fiscal Year-End
July 31st

Trading Symbol
CNJ (Toronto Stock Exchange)

52-Week Trading range
C$5.30–$11.35 (at July 31, 2002)

Average Daily Trading Volume
15,430 (fiscal 2002)

Shareholder Inquiries
For further information about Cangene and its activities, please contact Ms. Jean Compton, Manager of Investor Relations at Cangene in Mississauga, (905) 405 2900, or by e-mail at jcompton@interlog.com

QUARTERLY FINANCIAL RESULTS

in thousands of Canadian dollars except per-share data

	Quarter ended October 31, 2001	Quarter ended January 31, 2002	Quarter ended April 30, 2002	Quarter ended July 31, 2002
Total revenue	$ 20,864	$ 23,485	$ 16,988	$ 26,814
Net income	3,985	4,156	2,807	(514)
Earnings per share, basic	0.07	0.07	0.05	(0.01)
EBITDA	8,232	8,541	5,903	9,855
EBITDA per share, basic	0.14	0.14	0.10	0.17

QUARTERLY STOCK MARKET INFORMATION

(for years ended July 31)

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	2002	2001	2002	2001	2002	2001	2002	2001
High*	$7.50	$10.00	$10.35	$8.75	$11.00	$8.35	$11.35	$8.56
Low*	$5.30	$7.85	$7.00	$6.55	$8.85	$5.90	$7.50	$5.40
Close*	$7.25	$9.00	$9.45	$7.90	$10.99	$6.55	$10.15	$6.05
Volume	608,304	1,174,581	1,018,586	475,143	1,385,887	558,017	906,526	756,668

*Highs and lows based on board lot trades on the TSX; closing price based on last business day of the quarter

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