

CLARIFICATION OF MANAGEMENT INFORMATION CIRCULAR CONCERNING APPROVAL OF PRIVATE PLACEMENT (CLEAN)

The section entitled “Approval of Private Placement”, located on page 7 of the Management Information Circular, is clarified as follows:

Approval of Private Placement

The Corporation is arranging a private financing of debt and convertible debt with an arm’s length institutional investor for up to U.S. \$17,500,000, consisting of three separate facilities. The proceeds will be used to refinance existing debt and for product development and working capital. The structure creates flexibility for the Corporation to satisfy some obligations in shares at future trading prices.

To the extent that the number of Common Shares issuable by the Corporation under these facilities exceeds 25% of the Corporation’s market capitalization, the rules of the Toronto Stock Exchange (“TSX”) require that the Corporation first obtain the approval of the Shareholders. The maximum number of Common Shares that could be issued under these facilities will depend on the trading price of the Common Shares and whether the Corporation elects to satisfy obligations in Common Shares. Accordingly, Shareholders will be asked to pass a resolution, in the form annexed hereto as Exhibit A, approving the issuance of more than 9 million Common Shares, to a maximum of 15 million Common Shares in connection with these facilities. If this resolution is not passed, the Corporation will not issue more than 9 million Common Shares under these facilities without Shareholder approval.

The following summarizes the facilities:

Facility 1

A U.S. \$5,000,000 three year secured revolving loan, with a borrowing base of 90% of eligible accounts receivable and 35% of North American inventory capped at U.S. \$2,500,000, with interest at the Wall Street Journal prime rate (“WSJ Prime”) payable monthly. The Corporation may, at its option, repay the principal in Common Shares at 85% of the ten day volume weighted average trading price on the TSX (“VWAP”) for the Common Shares preceding the payment date, subject to volume limits to be agreed. Any principal so paid may be re-borrowed up to facility limits.

Facility 2

A U.S. \$5,000,000 three year convertible secured loan, with interest at the greater of 6.5% and WSJ Prime plus 2%, decreasing by 2% (200 basis points) for every incremental 25% that the VWAP of the Common Shares exceeds the average conversion price described below.

The principal is repayable as to 20% in the first year, 20% in the second year and 60% in the third year of the facility, in equal monthly instalments during each such year, in cash or, at the Corporation’s option, in common shares at 85% of the VWAP on the principal payment date. In addition, each monthly instalment must be converted at the average conversion price described below if the market price at the time is 115% or more of such average conversion price.

The principal amount is convertible at the option of the investor at an average conversion price based on the following:

- 65% is convertible at the greater of 108% of the VWAP on the closing date and 110% of the trading price on the business day prior to the closing date; and
- 35% is convertible at the greater of 125% of the VWAP on the closing date and 130% of the trading price on the business day prior to the closing date;

but not less than Cdn \$0.88 per Common Share.

Any amount converted will be credited against the next monthly instalment of principal to be made.

Facility 3

Up to U.S. \$7,500,000 of a 120 day secured bridge loan with interest at the greater of WSJ Prime plus 3% and 6.5% payable monthly. If this facility is not fully repaid on maturity, the unpaid portion will automatically switch into a convertible term loan upon the terms in Facility 2. The proceeds will be used as a bridge until the Corporation completes the proposed sale of Bioniche Pharma Group and only converted into a term loan if the Bioniche Pharma Group sale does not proceed. Accordingly, this facility may not be drawn in full or at all.

Warrants

As part of these facilities, the investor will also be issued five year warrants to acquire 800,000 Common Shares at an exercise price of 125% of VWAP on the closing date, but not less than \$1.10 per Common Share.

Fees

In addition, the Corporation will pay the following fees to the investor:

- 3.5% of the total facility (including only the portion of the bridge actually drawn down), payable in cash at closing;
- U.S. \$750,000 payable in Common Shares at the VWAP at closing (but not less than Cdn \$0.88 per Common Share); and
- In addition, if and to the extent the bridge facility (Facility 3) is drawn, an additional fee equal to 3% of the amount actually drawn is payable in Common Shares at the VWAP at closing and, if and at the time Facility 3 is converted to the Facility 2 convertible secured term loan, an additional 6% of the amount converted is payable in Common Shares at the VWAP at such time.

The investor will generally not hold more than 9.9% of the Common Shares outstanding, except as a result of certain circumstances such as mergers and share buybacks.

At the Meeting, the holders of Common Shares and Preferred Shares will be asked to consider and, if deemed appropriate, to adopt, with or without variation, an ordinary resolution in the form attached hereto as Schedule "A".

The issuance of Common Shares has been conditionally approved by the TSX, subject to Shareholders' approval. The rules of the TSX require that, to be effective, the resolution must be approved by a majority of the votes cast by holders of Common Shares and Preferred Shares present in person, or represented by Proxy, at the Meeting.

The Board of Directors of the Corporation recommends the adoption of the resolution.

The persons designated as proxyholders in the accompanying form of proxy will vote Common Shares and Preferred Shares represented by such form of proxy, properly executed, for the resolution, unless otherwise specifically directed.

DATED the 26th day of October, 2005.

"Hy Isenbaum"
Hy Isenbaum
Chairman of the Board

CLARIFICATION OF MANAGEMENT INFORMATION CIRCULAR CONCERNING APPROVAL OF PRIVATE PLACEMENT (BLACKLINED)

The section entitled “Approval of Private Placement”, located on page 7 of the Management Information Circular, is clarified as follows:

Approval of Private Placement

The Corporation is arranging a private financing of debt and convertible debt with an arm’s length institutional investor for up to U.S. \$17,500,000, consisting of three separate facilities. The proceeds will be used to refinance existing debt and for product development and working capital. The structure creates flexibility for the Corporation to satisfy some obligations in shares at future trading prices.

To the extent that the number of Common Shares issuable by the Corporation under these facilities exceeds 25% of the Corporation’s market capitalization, the rules of the Toronto Stock Exchange (“TSX”) require that the Corporation first obtain the approval of the Shareholders. The maximum number of Common Shares that could be issued under these facilities will depend on the trading price of the Common Shares and whether the Corporation elects to satisfy obligations in Common Shares. Accordingly, Shareholders will be asked to pass a resolution, in the form annexed hereto as Exhibit A, approving the issuance of more than 9 million Common Shares, to a maximum of 15 million Common Shares in connection with these facilities. If this resolution is not passed, the Corporation will not issue more than 9 million Common Shares under these facilities without Shareholder approval.

The following summarizes the facilities:

Facility 1

A U.S. \$5,000,000 three year ~~non-convertible secured loan~~, secured revolving loan, with a borrowing base of 90% of eligible accounts receivable and 35% of North American inventory capped at U.S. \$2,500,000, with interest at the Wall Street Journal prime rate (“WSJ Prime”); payable monthly ~~in cash or, at the~~ The Corporation’s may, at its option, repay the principal in Common Shares at 85% of the ten day volume weighted average trading price on the TSX (“VWAP”) for the Common Shares preceding the ~~interest~~ payment date, subject to volume limits to be agreed. Any principal so paid may be re-borrowed up to facility limits.

Facility 2

A U.S. \$5,000,000 three year convertible secured loan, with interest at the greater of 6.5% and WSJ Prime plus 2%, decreasing by 2% (200 basis points) for every incremental 25% that the VWAP of the Common Shares exceeds the average conversion price ~~hereinafter~~ described below.

~~Interest is payable monthly in cash or, at the Corporation’s option, in Common Shares at 85% of the VWAP for the Common Shares on the interest payment date.~~ The principal is repayable as to 20% in the first year, 20% in the second year and 60% in the third year of

the facility, in equal monthly instalments during each such year, in cash or, at the Corporation's option, in common shares at 85% of the VWAP on the principal payment date. In addition, each monthly instalment must be converted at the average conversion price described below if the market price at the time is 115% or more of such average conversion price.

The principal amount is convertible at the option of the investor at an average conversion price based on the following:

- 65% is convertible at the greater of 108% of the VWAP on the closing date and 110% of the trading price ~~of the Common Shares on the TSX~~ on the business day prior to ~~closing and 110% of the VWAP on~~ the closing date; and
- 35% is convertible at the greater of 125% of ~~such trading price and 110% of~~ the VWAP on the closing date, and 130% of the trading price on the business day prior to the closing date;

but not less than Cdn \$0.88 per Common Share.

Any amount converted will be credited against the next monthly instalment of principal to be made.

Facility 3

Up to U.S. \$7,500,000 of a 120 day secured bridge loan with interest at the greater of WSJ Prime plus 3% and 6.5% payable monthly. If this facility is not fully repaid on maturity, the unpaid portion will automatically switch into a convertible term loan upon the terms in Facility 2. ~~The Corporation~~ The proceeds will be used as a bridge until the Corporation completes the proposed sale of Bioniche Pharma Group and only converted into a term loan if the Bioniche Pharma Group sale does not proceed. Accordingly, this facility may ~~elect not to draw on Facility 3~~ be drawn in ~~whole~~ full or ~~in part~~ at all.

Warrants

As part of these facilities, the investor will also be issued five year warrants to acquire 800,000 Common Shares at an exercise price of 125% of VWAP on the closing date, but not less than \$1.10 per Common Share.

Fees

In addition, the Corporation will pay the following fees to the investor:

- 3.5% of the total facility (including only the portion of the bridge actually drawn down), payable in cash at closing;

- U.S. \$~~600,000~~750,000 payable in Common Shares at the VWAP at closing (but not less than Cdn \$0.88 per Common Share); and
- ~~3% of Facility 3, In addition, if and~~ to the extent ~~drawn, for each year~~the bridge facility (Facility 3) is drawn, an additional fee equal to 3% of the amount actually drawn is payable in Common Shares; at the VWAP at closing and, if and at the time Facility 3 is converted to the Facility 2 convertible secured term loan, an additional 6% of the amount converted is payable in Common Shares at the VWAP at such time.

The investor will generally not hold more than 9.9% of the Common Shares outstanding, except as a result of certain circumstances such as mergers and share buybacks.

At the Meeting, the holders of Common Shares and Preferred Shares will be asked to consider and, if deemed appropriate, to adopt, with or without variation, an ordinary resolution in the form attached hereto as Schedule "A" ~~approving the issuance of in excess of 9 million but not more than 15 million Common Shares under and in connection with certain convertible debt facilities aggregating US\$17,500,000, inclusive of fees and accompanying warrants.~~

The issuance of Common Shares has been conditionally approved by the TSX, subject to Shareholders' approval. The rules of the TSX require that, to be effective, the resolution must be approved by a majority of the votes cast by holders of Common Shares and Preferred Shares present in person, or represented by Proxy, at the Meeting.

The Board of Directors of the Corporation recommends the adoption of the resolution.

The persons designated as proxyholders in the accompanying form of proxy will vote Common Shares and Preferred Shares represented by such form of proxy, properly executed, for the resolution, unless otherwise specifically directed.