

YM BIOSCIENCES INC.
ANNUAL INFORMATION FORM
June 30, 2003

ITEM 2

CORPORATE STRUCTURE

YM BioSciences Inc. (“YM BioSciences” or “YM” or the “Corporation”) was incorporated under the laws of the Province of Ontario on August 17, 1994. On February 7, 2001 the Corporation changed its name to YM BioSciences Inc and on December 11, 2001 was continued into the Province of Nova Scotia under the Nova Scotia Companies Act.

The head office and principal place of business of the Corporation is 5045 Orbitor Drive, Building 11, Suite 400, Mississauga, Ontario, L4W 4Y4. The registered head office of YM BioSciences is 1959 Upper Water Street, Suite 800, Halifax, Nova Scotia, B3J 2X2

YM BioSciences has the following subsidiaries:

CIMYM Inc.	80% owned by YM BioSciences Inc. Incorporated in Ontario
CBQYM Inc.	80% owned by YM BioSciences Inc. Incorporated in Ontario
CIMYM Inc.	80% owned by YM BioSciences Inc. Incorporated in Barbados
CBQYM Inc.	80% owned by YM BioSciences Inc. Incorporated in Barbados

Unless otherwise noted, “YM BioSciences”, “YM”, and the “Corporation” includes YM BioSciences Inc. and its subsidiaries. Each of the companies incorporated in Barbados are collectively referred to as the “International Marketing Subsidiaries”.

ITEM 3

GENERAL DEVELOPMENT OF THE BUSINESS

3(1) A Canadian company incorporated in 1994, YM BioSciences develops novel therapeutics principally for cancer. It partners with biotechnology and pharmaceutical companies as well as with drug discovery organizations and academic institutes to develop the cancer applications of their novel agents and technologies.

The Corporation provides the knowledge and skills, and implementation necessary, to progress pharmaceutical products through clinical trials toward regulatory approval for marketing them generally with the intention of licensing the products it develops to pharmaceutical products manufacturing and marketing organizations in the targeted markets.

YM undertakes the collection, collation and interpretation of clinical and other data relating to certain products and the submission of such data to the relevant drug regulatory authorities in compliance with the relevant protocols and standards.

Over the past four years the Corporation has concentrated its activities on cancer therapeutics. The current product portfolio includes three different anti-cancer compounds in a number of formulations targeting five different tumours or stages of cancer. These products have completed clinical trials demonstrating safety and efficacy up to and including Phase III.

YM's lead product is tesmilifene, a cancer drug that has been demonstrated to act with the spectrum of established chemotherapies to enhance their activity. This drug was cleared by the FDA on October 20, 2003 for a pivotal Phase III trial in patients with metastatic breast cancer that would lead to marketing approval for the drug. The drug could prospectively reach the market as early as 2006. Tesmilifene previously completed a 305-patient Phase III clinical trial with important and positive results in metastatic breast cancer and a Phase II trial in hormone-refractory prostate cancer.

A randomized Phase II trial in hormone-refractory prostate cancer, for which a prior Phase II was completed in the USA and Canada, has been proposed to the Corporation by the South West Oncology Group ("SWOG"), a leading oncology co-operative member of the National Cancer Institute in the USA.

A Phase I/II trial of its cancer vaccine, Norelin, has completed enrolment and will be reported on in November, 2003 in anticipation of a further I/II trial.

A final report on a Phase II trial of its monoclonal antibody, TheraCIM, is expected by May, 2004 and further clinical development is in negotiation.

A radio-labelled version of TheraCIM, linked to Yttrium-90 is in an investigator-led trial in Italy.

Presentations in respect of tesmilifene and TheraCIM have been made to the American Society of Clinical Oncology ("ASCO") and at the American Society for Therapeutic Radiology and Oncology ("ASTRO").

Over the past four years the Corporation has expanded its business plan of being the development partner for discovery in life sciences by extending the number of its cancer partnerships.

The Corporation's primary objective is to advance products toward regulatory acceptance and optimal out-licensing value to a pharmaceutical partner.

YM generally proposes to take a product through that phase of clinical trials that is sufficient to attract a pharmaceutical partner to co-develop or to license the product for registration and marketing. YM may elect to co-promote in certain territories. Partnering will be contemplated at any stage of development; provided that the product has demonstrated adequate effectiveness and that the proposed licensing terms reflect current industry benchmarks.

3(2) Product Licences

The following summarizes the Corporation's licenses. For a description of the licensed products, see "YM BioSciences Product Portfolio".

All transactions are at arm's length.

Current Licenses

In 2001, the Corporation acquired an exclusive, sub-licensable license from CIMAB S.A. to two active immunotherapy products described as HER-1 Vaccine and TGF α Vaccine. The License is

in respect of Europe, Canada, the United States, Japan, Australia, New Zealand, Taiwan, Singapore, Thailand, Hong Kong, South Korea, Malaysia, Indonesia and the Philippines.

In October 2000, the Corporation entered into a license agreement with University of Manitoba and CancerCare Manitoba, providing it exclusive rights to commercialize the product tesmilifene, a small molecule chemopotentiator for the treatment of cancer. This license remains in good standing.

In October 2000, the Corporation licensed exclusive global rights to the human applications for a therapeutic cancer vaccine, Norelin™, from BioStar Inc., of Saskatoon, Saskatchewan. This license remains in good standing.

In May 1995, the Corporation entered into an exclusive license agreement for major market countries with the Centre for Molecular Immunology of Havana, Cuba, for a monoclonal antibody (“MAb”) targeting the EGF receptor (“EGFr”). This license remains in good standing. Under the license, the Corporation has a right of first refusal with respect to licensing all other products derived from the EGF and EGF-r programs of CIM.

In May 1995, the Corporation entered into an exclusive license agreement for major market countries with the Centre for Bioactive Chemicals for an anti-microbial molecule known as G1. This license remains in good standing.

Previous Licenses

In April 2001, partners in one of the joint venture subsidiaries, developing products unrelated to the Corporation’s focus on cancer, returned their shares in the joint venture company, HeberYM Inc., to YM. HeberYM was subsequently wound up.

In January 2001 YM and SR Pharma plc of the UK agreed to investigate the use of YM’s proprietary cancer antigen, IPS-21, in conjunction with SR Pharma’s SRL172, a vaccine adjuvant. This arrangement was terminated in 2002.

In November 2000, the Corporation and KS Biomedix Holdings Plc, UK, entered into a broad co-development agreement around the use of certain super high affinity monoclonal antibodies (“SMAs”) in the development of cancer therapies. This arrangement was terminated in 2002.

In June 2000, partners in two of the joint ventures, DiraYM Inc. and CensaYM Inc., developing products unrelated to the Corporation’s focus on cancer, returned their shares in the respective joint venture companies to YM and those subsidiaries were subsequently wound up.

In December 1997, the Corporation entered into an exclusive license agreement for major market countries with the Centre for Molecular Immunology of Havana, Cuba, for a cancer vaccine (the “EGF Cancer Vaccine”) utilizing recombinant Epidermal Growth Factor (“EGF”) This license was returned to the licensor in October 2002.

Commentary in respect of the Licensed Products

The Corporation is not committed to product development payments in fiscal 2004 under any of its current or previous licenses.

The licenses and joint venture terms vary widely but the Corporation is generally responsible for all development costs. Pursuant to the licenses and joint venture agreements, the Corporation is generally entitled to recoup all its costs from eventual revenues and subsequently retain a percentage of license and royalty revenues in amounts varying with each license. The terms of the licenses will result in the Corporation retaining between 90% and 60% of revenues.

3(3) Clinical trials are risky since the outcome is, by definition, unknown. The Corporation's resources are principally committed to the establishment and maintenance of the corporate structure and functions necessary for clinically testing licensed drugs in humans. If the drugs fail to demonstrate effectiveness and economic benefit superior to existing drugs in the market then the Corporation will have no revenues from which to earn a profit.

ITEM 4 NARRATIVE DESCRIPTION OF THE BUSINESS

Business of the Corporation

Mission Statement

YM BioSciences Inc. commercializes life sciences technologies from the original research of others. It is organized to be a partner for academic institutions, biotechnology and pharmaceutical companies, providing a route to market for original products or for redirected drug development.

Business Model

The disciplines and knowledge sets required for the clinical development and subsequent commercialization of a drug are different from the scientific disciplines required for discovery. The pattern in biotechnology has typically been that of companies being formed around discoveries and inventions by the scientists involved. YM BioSciences' business model is based on the conclusion that the disciplines of discovery and commercialization diverge and that the requirements for progressing a scientific project into a marketable product along the regulatory, clinical, licensing, intellectual property, business and financing pathways involve a set of skills which are not typically resident in academic scientists who, and institutions which, are otherwise accomplished.

The Corporation does not conduct basic research. It manages the development of the licensed products through its own team of clinical, regulatory, licensing and business development experts and through a number of research and medical collaborations. The Corporation contracts for services required, including manufacturing, stability testing, analytics and preclinical work.

The Corporation conducts, and also arranges with third party collaborators and contract research organizations the planning and undertaking of, clinical trials. The Corporation works together with its partners to select sites for the trials, develop protocols and instruct investigators.

The Corporation manages and directs the manufacture of the products it utilizes in clinical trial but does not invest its resources in manufacturing facilities. Similarly it contracts for its pre-clinical, stability testing and --- work and does not invest its resources in those functions which are readily available to it.

Implementation

To carry out its mission, YM partners with drug discovery organizations including academic institutes and biotechnology and pharmaceutical companies.

It performs evaluations of life-sciences projects, technologies and products, and the prospective markets for them.

It analyzes the intellectual property estate around the products and technologies being assessed and partners with originators on those products selected to be taken forward for commercialization.

Through its internal intellectual property resources, together with international counsel, the Corporation develops and implements intellectual property programs around the selected products that it also then carries forward through the regulatory and clinical process toward marketing approvals.

The Corporation employs senior personnel in product and market evaluation, legal, regulatory and clinical functions and in pharmaceutical licensing, finance and administration.

In support of the business model YM contends that the products that have advanced through certain clinical stages command significantly higher values from the multinational or regional pharmaceutical companies to whom YM proposes to license the manufacturing and marketing rights, than early-stage products or projects. This development process is expected to add value to discovery.

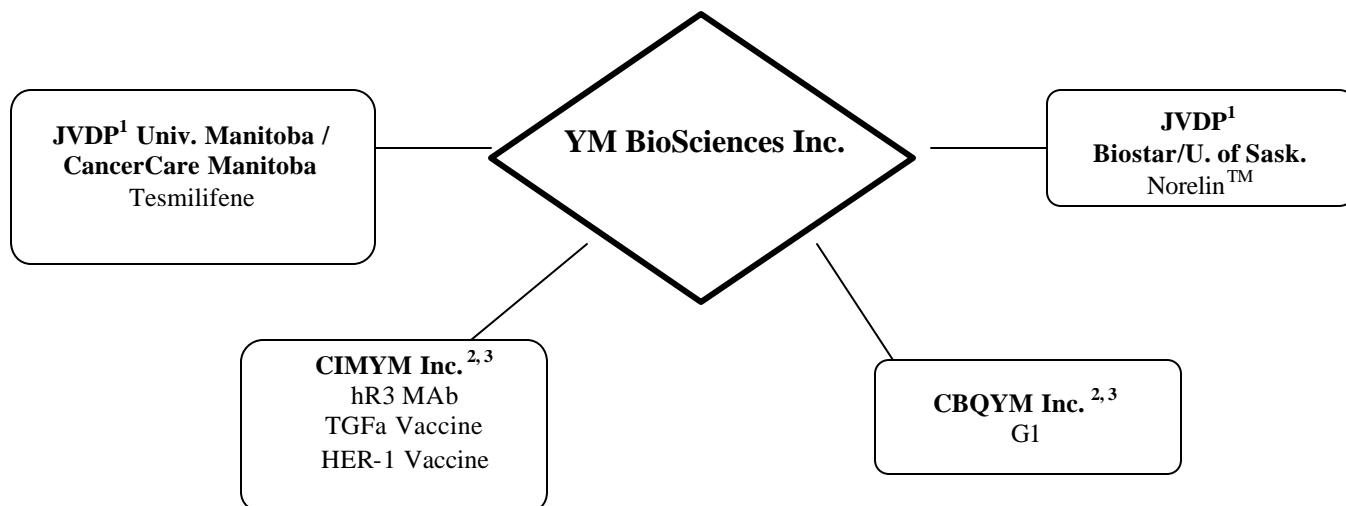
The Corporation also submits that the partnership construct between YM BioSciences and the originators should yield higher returns to originators than earlier-stage licensing and also results in a business model which reduces discovery risk, and overheads for, the Corporation's shareholders and provide for substantial returns.

The Corporation is principally focused on cancer therapeutics and is also developing a novel anti-microbial product.

It currently has four joint venture structures through which the commercial results of the development of the products are shared with the originators.

Two of the joint ventures are development programme agreements ("JVDP") under which revenues from commercialization are shared by the Corporation with the originators of the technologies and two others are subsidiaries of the Corporation in which the originators hold shares. All the licenses are royalty-free and originators are compensated by a share of revenues ultimately received by YM ranging from 10% to 40%. Two of the Corporation's subsidiaries have licenses from academic scientific institutes of the Government of Cuba and two other licenses are from academic institutions of the Provinces of Manitoba and Saskatchewan, Canada.

The structure and products in development are as follows:



1. Divisions or Programmes
2. Subsidiaries
3. Parallel subsidiaries have been incorporated in both Ontario and Barbados.

In-Licensing

YM BioSciences fuels its preclinical and clinical oncology pipeline by licensing product candidates and technologies from biotechnology and pharmaceutical companies, as well as from academic institutions. The Corporation has employed several types of partnerships, including joint ventures, co-development partnerships and license agreements. In general, products are licensed at late preclinical or early clinical stage of development. Although primarily focused on biologicals, the Corporation has also in-licensed a small molecule product and will undertake development of chemical entities if the opportunity is attractive.

Clinical Trials – Current Products

Tesmilifene

In November 2000, with the acquisition of a license for tesmilifene, the open IND (Investigational New Drug Submission) for a clinical trial in hormone-refractory prostate cancer was transferred to YM BioSciences. The Corporation re-started and completed this trial in Canada and the USA and data were reported at the 2002 annual meeting of ASCO.

In May 2001, the National Cancer Institute of Canada (“NCIC”) presented results at ASCO 2001 of a 305-patient Phase III trial which showed a greater than 50% increase in survival in patients suffering from metastatic breast cancer treated with tesmilifene and doxorubicin over those treated with doxorubicin alone. An application to initiate a pivotal Phase III registration trial in 2003 was agreed with the FDA in October 2003.

In May 2002, clinical investigators presented results at the annual meeting of ASCO of a Phase II clinical trial for the treatment of advanced, hormone-refractory prostate cancer with the Corporation's small molecule, tescmilifene, together with the drug mitoxantrone. This trial indicated a high response rate exceeding 70% in 28 patients.

In fiscal Q3/2003 the Corporation received a positive Special Protocol Assessment for tescmilifene. The SPA provides an official FDA evaluation, guidance and agreement on the pivotal trial that will form the basis for final approval. This written agreement is binding. Through the SPA process the FDA approves of and agrees to the acceptability of the primary and secondary end points of the study.

In fiscal Q4/2003 the Corporation received approval-in-principle, from the FDA to apply an "adaptive design" to the pivotal trial for which the SPA had approved the protocol. This adaptive design, which in the case of YM's pivotal trial provides for "sequential analysis", permits the independent Data Monitoring Board ("DMB") to review the status of the patients in the trial and to conclude, at any point during the trial, whether the trial should be stopped because of sufficient evidence of the effect of tescmilifene; continued for the purpose of increasing the numbers of the patients in the trial or stopped because of the absence of any effect (futility) of the drug in patients with metastatic breast cancer. This sequential analysis can be applied at any point during the trial. The FDA has advised the Corporation that it will review data generated under this process only after 192 deaths have occurred in the patient population of the trial. Sequential analysis differs significantly from the classical trial design which requires enrollment of the full number of patients contemplated in the original protocol prior to which no review of the patients may take place except with a considerable statistical penalty being paid by the sponsor for the trial results. Under a sequential analysis a positive outcome would permit shortened time to approval, and thus to market. This shortened time period would also have the effect of "patient sparing" so that in the event of success no patients continue in the control arm and in the event of futility no additional patients are enrolled.

In fiscal Q4/2003 the Corporation received a proposal from SWOG, a US oncology co-operative group of the NCI, to include tescmilifene in combination with a marketed drug, mitoxantrone in a randomized clinical trial. The Corporation expects this trial to be initiated during the balance of calendar 2003.

TheraCIM

In fiscal Q3/2003 data were presented at ASCO of an investigator-led trial in Italy utilizing an Yttrium-90-labeled version of TheraCIM in 45 patients, post-excision, of glioma tumours. The mean survival of patients was reportedly prolonged in comparison to historical data obtained in two previous trials utilizing a different radiolabeled antibody. It was concluded that this method is feasible and warrants further study

In fiscal Q3/2003 the Corporation completed recruitment for its clinical trial of the monoclonal antibody TheraCIM in patients with head and neck cancer. Twenty-four fully evaluable patients were accrued in five sites across Canada. In addition, the product was demonstrated to be largely equivalent to chemo-radiation while sparing the patients the debilitating side-effects of chemotherapy in that regimen. TheraCIM appears to sensitize tumours to the degree that patients

receiving the antibody have in excess of twice the response rate to radiation than patients receiving radiation alone.

In July 2001, YM BioSciences received approval from Health Protection Branch of Health and Welfare Canada (“HPB”), now HPFB, to initiate a Phase I/II study of TheraCIM hR3 in conjunction with radiotherapy in patients with brain cancer resulting from metastases from non-small cell lung cancer. This study is designed to demonstrate safety and preliminary efficacy. YM BioSciences has postponed implementing this trial.

In September 1999, YM BioSciences received approval from the HPFB to initiate a Phase I/II clinical trial in humans for TheraCIM hR3, its immunotherapeutic anti-tumour agent. TheraCIM hR3 is a humanized monoclonal antibody directed against the epidermal growth factor receptor (“EGFr”).

This clinical study was designed to demonstrate preliminary efficacy as well as the primary endpoint of safety of TheraCIM hR3 in conjunction with radiotherapy in patients with locally recurrent or metastatic squamous cell carcinoma of the head and neck. The study, originally involving 16 patients, was conducted at a number of cancer centres in Canada. The study was expanded to include 24 evaluable patients.

In September 1998 the Corporation received approval from HPFB to initiate its first clinical trial for its diagnostic version of its humanized monoclonal antibody to the EGFr (DiaCIM). The Phase I clinical study, which involved 12 patients, was conducted at the Princess Margaret/Toronto Hospitals in Toronto and was designed to demonstrate the safety of DiaCIM in patients with tumours of suspected or known epithelial origin.

Norelin

In fiscal Q3/2003 recruitment was completed in a Phase I/II trial with the Corporation’s cancer vaccine, Norelin, in Canada in patients with early-stage prostate cancer. The data demonstrated the safety of the product and anti-immunogenicity in some of the patients and biological effect was evident in a number of those. These effects were noted in addition to the product’s safety. The presence of biological effect will strongly encourage the further clinical development of this product in the immediate future.

In 2002, YM obtained a Clinical Trial Application approval from Health Canada for Norelin™ and a safety and immunogenicity study was initiated in calendar Q3, 2002. Patient enrolment for this trial was completed in January 2003 and preliminary results, released in June, indicated that the vaccine was very well tolerated, with no major adverse events reported and preliminary evidence of immune response found in 50% of patients. These data indicate that Norelin™ also generated a degree of biological response which is important given the numerous attempts by other companies in this difficult but valuable approach to prostate cancer.

Clinical Trials – Previous Products

In December 2000, YM BioSciences received approval from HPFB to initiate a Phase I/II study of its EGF Anti-Cancer Vaccine in conjunction with the adjuvant montanide in patients with non-small-cell lung cancer.

In May 1999, YM BioSciences received approval from the HPFB to start a Phase II clinical trial to evaluate its EGF Anti-Cancer Vaccine in advanced lung cancer patients. The vaccine contains recombinant EGF conjugated to a highly immunogenic recombinant bacterial protein, P64. The aim of the vaccine is to stimulate the body's immune system to produce anti-EGF antibodies to inhibit the ability of EGF to attach to EGF receptors. In January 2001 the trial was approved by the Medicines Control Agency of the UK and five clinical sites were included in the trials.

The randomized Phase II clinical trial assessed the safety and immunogenicity of the vaccine in stage III or IV patients with non-small-cell lung cancer. Secondary objectives were the preliminary assessment of efficacy (survival benefit, objective response) and quality of life.

Out-Licensing

YM BioSciences plans to take products through clinical trials in order to out-license to corporate partners with experience in manufacturing and marketing pharmaceutical products in the relevant therapeutic and territorial markets. The licensees are expected, to the extent necessary, to participate in any remaining clinical development required to obtain final regulatory approval and subsequently market the product in return for the payment to YM BioSciences of licensing fees and royalties on sales of the product. This model is consistent with current licensing practices between biotechnology companies and pharmaceutical marketing companies. The partnering process may occur at any stage in the development cycle provided the product demonstrates effectiveness and that a proposed license adequately reflects current industry benchmarks. All of YM BioSciences' products in development are available for out-licensing as the Corporation does not currently intend to manufacture and market its products unilaterally.

Changes in Government Regulation

The Corporation has, or has had licenses with, or clinical trials at, various academic organizations, hospitals and companies in Canada, Cuba, Italy, the USA and the UK and depends upon the validity of its licenses and access to the data from the timely completion of clinical research in those jurisdictions. Any changes in the drug development regulatory environment or shifts in political attitudes of a government are beyond the control of the Corporation and may adversely affect its business. The business of the Corporation may also be affected in varying degrees by such factors as government regulations with respect to intellectual property, regulation or export controls. Although the licenses contain provisions to limit the effect of adverse changes in laws such changes remain beyond the control of the Corporation and the effect of any such changes cannot be predicted.

Competition

Technological competition from pharmaceutical companies, biotechnology companies and universities is intense and is expected to increase. Many competitors and potential competitors of the licensed products have substantially greater product development capabilities and financial, scientific, marketing and human resources than the Corporation. Other companies may succeed in commercializing products earlier than the Corporation is able to commercialize its licensed products or in developing products that are more effective than the products which it has licensed. While the Corporation will seek to expand its technological capabilities in order to remain

competitive, there can be no assurance that research and development by others will not render the licensed products obsolete or non-competitive or result in treatments or cures superior to the licensed products, or that the licensed products will be preferred to any existing or newly developed technologies.

Other

Products

The chart below summarizes the stage of development of each of the products licensed on which the Corporation is currently focused.

Clinical Products	Application	Development Status
Tesmilifene	A small molecule chemopotentiator for the treatment of solid tumors, augmenting the activity of numerous cytotoxic drugs	Positive SPA from FDA for the pivotal trial in metastatic breast cancer. Phase III completed – metastatic breast cancer - sponsored by a third party and conducted by the National Institute of Canada. Randomized Phase II in prostate anticipated to commence in USA in calendar Q4/2003 Phase II completed - hormone-refractory prostate cancer
TheraCIM hr3	A humanized MAb, targeting the Epidermal Growth Factor Receptor (EGFr), for the treatment of epithelial cancers	Randomized Phase II trial planned for fiscal 2004 - head and neck cancer. Phase II trial completed –head and neck cancer
Norelin™	A GnRH cancer vaccine for the treatment of hormone-dependent malignancies	Phase I/II trial to be initiated in fiscal 2004 Phase I/II completed – early-stage prostate cancer
RadioTheraCIM	A radiolabeled humanized MAb, targeting EGFr, for the treatment of brain cancers	Pilot study ongoing - glioma
Preclinical Products	Application	Development Status
TGF α Cancer Vaccine	A TGF α /carrier fusion protein aimed at eliciting a neutralizing antibody response	Preclinical
HER-1 Cancer Vaccine	A HER-1 vaccine delivered in a proprietary Th1-inducing delivery vehicle	Preclinical

YM BioSciences Product Portfolio

Tesmilifene – A potent small molecule potentiator of cytotoxic chemotherapy. It is being developed as a chemopotentiator (to enhance the cytotoxicity of chemotherapy) for the treatment of malignant solid tumours. Tesmilifene has been administered to over 500 patients with cancer and has been found to be well tolerated. Results have been published from a recent Phase III trial in metastatic/recurrent breast cancer, conducted by the NCIC, presented at ASCO demonstrating a >50% increase in survival in women receiving tesmilifene in combination with doxorubicin compared to patients who received doxorubicin alone (23.6 months vs. 15.6 months; p<0.03). A

US/Canadian Phase II single-arm study in metastatic hormone-refractory prostate cancer has been completed and has been presented at ASCO. In addition to the clinical evidence for tesmilifene the compound has also been demonstrated to augment the in vitro/in vivo anti-tumour activity of other cytotoxic drugs routinely used in the treatment of cancer, such as 5-fluorouracil (“5-FU”), cisplatin, taxol and mitoxantrone. The compound has multiple modes of action affecting multiple drugs; specifically it inhibits cytochrome P3A4/P-gP in malignant cells but has been shown to be cytoprotective in normal cells, thus increasing the effect in cytotoxics in malignant cells without increasing toxicity. Its inhibitory effect on mitochondria and depletion of cellular ATP may result in its potentiation of drugs such as cisplatin

TheraCIM – A proprietary humanized monoclonal antibody (“MAb”) which targets the Epidermal Growth Factor receptor (“EGFr”), a receptor tyrosine kinase overexpressed in the majority of solid tumours. A Phase II trial, for which recruitment was completed in fiscal Q1/2003, resulted in 24 fully evaluable patients receiving MAb with radiation demonstrating a significant benefit compared to radiation alone(>60% compared to approximately 30% on radiation alone.) Recruitment for a randomized Phase II 84 patient study in head-and-neck cancer with the MAb together with radiation is complete and a single-arm glioma study of the drug with radiation is also ongoing at oncology hospitals in Cuba. A radiolabeled version of this antibody, RadioTheraCIM, has been developed, and is being tested in glioma, post-surgery, in a European physician-sponsored study.

NorelinTM – An active, specific immunotherapy agent, for the treatment of hormone-dependent malignancies, that activates the patient’s own immune system to block the activity of the master hormone, Gonadotrophin Releasing Hormone (“GnRH”). GnRH regulates the production of both male and female sex hormones. These hormones bind to receptors in malignant cancer cells and promote the growth and spread of the disease. By eliciting an antibody response to GnRH, NorelinTM blocks GnRH from reaching its receptors in the pituitary gland thus reducing the amount of sex hormones in the body and preventing them from reaching the tumour. Recruitment for a Phase I/II trial was completed in fiscal Q3/2003 with encouraging preliminary data of immunogenicity and biological effect and a further trial is planned for the immediate future.

If successfully developed NorelinTM would have application in all sex-hormone dependant cancers which include breast, ovarian, and uterine as well as prostate.

Regulatory Matters

Government Approval Process

The manufacture, distribution and consumption of medical products and equipment is regulated by a variety of industry-specific statutes and regulations in Canada and the countries with respect to which YM BioSciences and its subsidiaries have the rights for the licensed products. Drugs, or other human and agricultural products, sold in Canada are regulated by the *Food and Drugs Act* (Canada) and the regulations made under that Act.

Even though a drug, medical product, or device may be approved for use in another jurisdiction it may not be sold in Canada until approved by HPFB. Outside Canada, the regulatory approval process for the manufacture and sale of pharmaceuticals varies from country to country and the time required may be longer or shorter than that required by the HPFB.

Drug Approval Process

Drug licensing laws require licensing of manufacturing facilities, carefully controlled research and testing of products, governmental review and approval of results prior to marketing of therapeutic products, and adherence to Good Manufacturing Practice (“GMP”), as defined by each licensing jurisdiction, during production.

The principal activities which must be completed prior to obtaining approval for marketing are essentially the same in most major markets of the world and are as follows:

- *Preclinical Animal Studies.* Preclinical studies are conducted in animals to test pharmacology, efficacy and toxicology and to do formulation work based on *in vivo* results.
- *Phase I Clinical Trials.* Phase I clinical trials consist of testing a product in a small number of humans for its safety (toxicity), dose tolerance and pharmacokinetic properties.
- *Phase II Clinical Trials.* Phase II clinical trials usually involve a larger patient population than is required for Phase I trials and are conducted to evaluate the effectiveness of a product in patients having the disease or medical condition for which the product is indicated. These trials also serve to identify possible common short-term side effects and risks in a larger group of patients.
- *Phase III Clinical Trials.* Phase III clinical trials involve conducting tests in an expanded patient population at geographically dispersed test sites (multi-centre trials) in a controlled and/or uncontrolled environment to establish clinical safety and effectiveness. These trials also generate information from which the overall benefit-risk relationship of the drug can be determined and provide a basis for drug labeling.

Two key factors influencing the rate of progression of clinical trials are the rate at which patients can be recruited to participate in the research programs and whether effective treatments are currently available for the disease the drug is intended to treat. Patient recruitment is largely dependent upon the incidence and severity of the disease and the alternative treatments available.

A CTA must be filed and accepted by the HPFB before each phase of human clinical trials may begin. The CTA must contain specified information including the results of the preclinical or clinical tests completed at the time of the CTA. In addition, since the method of manufacture may affect the efficacy and safety of a drug, information on manufacturing methods and standards and the stability of the drug substance and dosage form must be presented so that the HPFB can ensure that the product that may eventually be sold to the public has the same composition as that determined to be effective and safe in the clinical trials. Production methods and quality control procedures must be in place to ensure an acceptable level of purity and uniformity in order to obtain a notice of compliance (“NOC”) which permits marketing of the product.

Upon completion of all clinical studies, the results are submitted to the HPFB as part of a New Drug Submission ("NDS"). An NOC typically takes between 12 and 24 months from the date a NDS is submitted.

In addition, for biological products, an establishment license application must be filed with and approved by the HPFB for the production of a product and test sites must demonstrate that Good Laboratory Practice ("GLP") and Good Clinical Practice ("GCP") have been maintained during preclinical and clinical evaluation. Even after marketing approval has been obtained, further studies, including post-market studies, may be required to provide additional data on safety and efficacy necessary to gain approval for the use of a product as a treatment for clinical indications other than those for which the product was initially tested. Also, the HPFB may require post-market surveillance programs to monitor a product's side effects. Results of post-marketing programs may limit or expand the further marketing of products. A serious safety or efficacy problem involving an approved drug or medical device may result in HPFB action requiring withdrawal of the product from the market and possible civil action.

Subsidiaries

Certain of the Corporation's licenses are held in subsidiaries which are all owned in the majority by it and in the minority by the inventors from whom the licenses were obtained.

International marketing subsidiaries (the "International Marketing Subsidiaries") were incorporated in Barbados in May 1996 to market products in those subsidiaries outside of Canada. The terms of the International Marketing Subsidiary agreements are similar to the Subsidiary Agreements.

Pursuant to agreements dated as of July 4, 1996, each of the Canadian subsidiaries sub-licensed certain of their respective rights to the products in those subsidiaries to the corresponding International Marketing Subsidiary in exchange for a royalty payment from them to the relevant Canadian subsidiary. The royalty payment will equal 11.5% of any license fees or royalties received by the International Marketing Subsidiary in connection with the sale of the licensed product.

The International Marketing Subsidiaries will arrange for the out-licensing of the licensed products in all relevant territories except Canada. The Canadian subsidiaries remain responsible for all elements of commercializing the licensed products within Canada, and for all elements of commercializing the licensed products outside of Canada up to the point of out-licensing.

YM BioSciences entered into funding agreements with each of its subsidiaries in November 1995 (the "Funding Agreements"). The Funding Agreements provide that the Corporation will arrange for the studies and clinical trials for the licensed products and will fund the cost of such studies and trials to the degree that it alone determines appropriate and provided that doing so would not be commercially or scientifically unreasonable. Accordingly, YM makes the final determination as to whether or not a clinical trial expense is justified with respect to any given product. YM BioSciences will be reimbursed for all funds provided pursuant to the Funding Agreements out of revenue generated from the exploitation of the relevant License, subject to the successful development of the licensed products and adequate generation of revenue.

Certain subsidiaries, Censaym Inc., Diraym Inc., and Heberym Inc., have been wound up.

Employees

The Corporation has 15 permanent employees.

Risks Associated with Foreign Operations

Certain of the Corporation's licenses originate from academic/scientific institutions and biotechnology corporations outside of Canada. Two of its licenses originate from Cuba. The USA has certain legislation in place in respect of prohibiting its citizens from conducting business with Cuba or with entities that may be utilizing nationalized property owned by persons who are now US citizens. The Corporation does not own any real property in Cuba and, to the best of the Corporation's knowledge, and based upon the advice of the Cuban government, none of the properties of the Centres where the products licensed from Cuba were developed and may be manufactured was previously owned by US citizens and was nationalized. Accordingly, the extraterritorial measures of US legislation do not appear to affect any of YM's licenses for Cuban scientific discoveries. In addition the Corporation has no US assets.

ITEM 5 SELECTED CONSOLIDATED FINANCIAL INFORMATION

Selected Annual Information

	Year Ended June 30, 2003	Year Ended June 30, 2002	Year Ended June 30, 2001
Interest income	\$ 273,232	\$ 154,112	\$ 645,742
Expenses:			
General and administrative	1,877,509	1,864,289	1,805,204
Licensing and product Development	3,965,385	4,729,216	6,294,981
Loss for the period	7,381,820	6,446,693	7,454,443
Deficit, beginning of period	<u>28,969,893</u>	<u>22,523,200</u>	<u>15,068,757</u>
Deficit, end of period	<u>\$36,411,810</u>	<u>\$28,969,893</u>	<u>\$22,523,200</u>
Loss per common share	<u>\$0.56</u>	<u>\$0.50</u>	<u>\$0.58</u>
Total Assets	<u>\$8,649,842</u>	<u>\$13,577,482</u>	<u>\$8,448,593</u>

Selected Quarterly Information

	Revenue (interest)	Net Loss	Net Loss per Common Share
June 30, 2003	\$ 61,436	\$ 1,151,889	\$ 0.08
March 31, 2003	74,601	2,056,653	0.16
December 31, 2002	69,946	2,868,409	0.22
September 30, 2002	67,249	1,304,869	0.10
June 30, 2002	16,669	992,011	0.08
March 31, 2002	20,573	1,283,890	0.10
December 31, 2001	54,059	2,577,383	0.20
September 30, 2001	62,811	1,593,409	0.12
June 30, 2001	108,732	2,698,588	0.21

Dividend Policy

The Corporation has not paid any dividends since its incorporation and has no present intention to pay any dividends in the foreseeable future.

Financings

In September 2002, the Company completed a share purchase transaction whereby the Company issued 759,000 Class B preferred shares, Series 1 at £1.45 (approximately Cdn. \$3.42) per share in consideration for 1,100,000 ordinary shares and 220,000 warrants of New Opportunities Investment Trust plc ("NOIT") under NOIT's UK prospectus offering. The NOIT shares and warrants are listed on the London Stock Exchange.

In June 2002, YM BioSciences completed its first broad public distribution with the issuance of 3,750,000 Class B Preferred Shares for aggregate proceeds of \$15,000,000. The Class B Preferred Shares were listed on the Toronto Stock Exchange and the Alternative Investment Market ("AIM") operated by the London Stock Exchange. The common shares of the Corporation were also listed on the two exchanges and were admitted for trading on June 12, 2003 when the Class B Preferred Shares were converted into common shares with the effect that no preferred shares are outstanding. At the date of this document there are outstanding 17,441,894 common shares all of which are listed for trading on both exchanges.

In April 2000, YM BioSciences completed private placements of 3,813,840 common shares for aggregate proceeds of \$17,162,000.

In August 1997, YM BioSciences completed a private placement of 272,250 common shares for aggregate proceeds of \$1,225,125.

In 1997 YM, BioSciences completed an initial public issue of \$14,500,000 through Special Warrants, all of which were exercised in June, 1997, for an aggregate issue of 4,484,613 common shares of YM BioSciences pursuant to a prospectus.

In November 1995, YM BioSciences completed a \$2,500,000 private placement of units, each unit consisting of one redeemable preferred share and six common shares.

ITEM 6 MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis, which appears in the Corporation's 2003 Annual Report, is incorporated herein by reference.

ITEM 7 MARKET FOR SECURITIES

The Corporation's common shares are currently posted for trading and are quoted on the Toronto Stock Exchange and the Alternative Investment Market operated by the London Stock Exchange

ITEM 8 DIRECTORS AND OFFICERS

The names, municipalities of residence, positions with the Corporation and the principal occupations of the directors and officers of the Corporation are set out below:

<u>Name and Municipality of Residence</u>	<u>Position</u>	<u>Principal Occupation</u>
<u>Directors</u>		
David G.P. Allan	Chairman, Chief Executive	Officer of the Corporation

<u>Name and Municipality of Residence</u>	<u>Position</u>	<u>Principal Occupation</u>
<u>Directors</u>		
Toronto, Ontario	Officer and Director	
Thomas I.A. Allen Toronto, Ontario	Director	Partner, Ogilvy Renault, Toronto (law firm)
Mark Entwistle Ottawa, Ontario	Director	Founder, Societas Consulting Inc.
Henry Friesen Winnipeg, Manitoba	Director	Chair, Genome Canada
John Morgan Westmount, Quebec	Director	Chairman, Royal Victoria Hospital Foundation
Julius Vida Greenwich, Connecticut	Director	President, Vida International Pharmaceutical Consultants
Gilbert Wenzel Basel, Switzerland	Director	President and CEO, Quisisana AG, Zurich
Tryon M. Williams London, England	Director	President, CellStop International Limited
<u>Officers</u>		
David G.P. Allan Toronto, Ontario	Chairman, Chief Executive Officer and Director	Officer of the Corporation
David W. Harper Erin, Ontario	Director, Licensing and Business Development	Officer of the Corporation
Paul M. Keane Mississauga, Ontario	Director, Medical Affairs	Officer of the Corporation
German Roges Havana, Cuba	Director of Operations	Officer of the Corporation
Vincent Salvatori Victoria, British Columbia	Executive Vice President	Officer of the Corporation
Sean Thompson Oakville, Ontario	Director, Clinical Research	Officer of the Corporation
Len Vernon Nobleton, Ontario	Director, Finance and Administration and Secretary	Officer of the Corporation

For the past five years, each of the foregoing directors and officers of the Corporation has been engaged in his or her current occupation or in other capacities with the same or a related entity, except as follows: Mr. Entwistle, prior to November 2000 was Chief of Staff and Director of

Communications and Planning to the leader of a Canadian Political Party, prior to June, 1999 was an international affairs and strategic communications consultant and prior to July, 1997 was Ambassador for Canada; Mr. Friesen, prior to 2000 was the President of the Medical Research Council of Canada, now the Canadian Institutes of Health Research; Mr. Morgan, prior to April 2000 was chairman of CIBC Trust and prior to November 1998 was vice-president of Midland Walwyn; Dr. Wenzel, prior to July, 2002 was Head of Group Strategy and Business Development, Novartis Group and prior to November, 2000 was a director of McKinsey & Company; and Mr. Williams, prior to June 2000 was president of Tarpen Research Corporation and prior to February, 1998 was Chairman, Inmedia Presentations Inc.

David G.P. Allan has been a director of the Corporation since August 23, 1994. Thomas I.A. Allen has been a director of the Corporation since December 13, 1996. Mark Entwistle has been a director of the Corporation since October 9, 1997. Henry Friesen has been a director of the Corporation since September 10, 2001. John Morgan has been a director of the Corporation since December 18, 2000. Julius Vida has been a director of the Corporation since September 10, 2001. Gilbert Wenzel has been a director of the Corporation since March 19, 2001. Tryon M. Williams has been a director of the Corporation since November 6, 1995.

All directors of YM BioSciences stand for election at each annual meeting of the Corporation. The next annual meeting of shareholders is scheduled for November 26, 2003 at 4:30 p.m. (Toronto time) at the Heenan Blaikie, Suite 2600, Royal Bank Plaza, South Tower, 200 Bay Street, Toronto, Ontario.

As of October 1, 2003, the directors and senior officers of YM BioSciences as a group beneficially owned or controlled, directly or indirectly, 792,659 common shares of the Corporation, representing approximately 5% of the issued and outstanding voting shares of the Corporation.

The Corporation has an audit committee which is comprised of Tryon M. Williams, chairman and David G.P. Allan and John Morgan; a compensation committee which is comprised of Mark Entwistle, chairman, and Thomas I.A. Allen and Tryon M. Williams; and a corporate governance and nominating committee which is comprised of Thomas I.A. Allen, chairman, and Julius Vida and Tryon M. Williams.

ITEM 9

ADDITIONAL INFORMATION

Additional information, including directors' and officers' compensation and indebtedness, principal holders of the Corporation's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Corporation's management information circular dated October 28, 2003, relating to the Annual and Special General Meeting of Shareholders of the Corporation to be held on November 26, 2003.

Additional financial information is also provided in the comparative consolidated financial statements of the Corporation for the year ended June 30, 2002, included in the Corporation's 2002 Annual Report. Copies of these documents and additional copies of this Annual Information Form are available to the public and may be obtained upon payment of a reasonable charge by contacting:

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