

ANGIOTECH PHARMACEUTICALS, INC.
BALANCE SHEETS

(Unaudited)

As at	December 31, 1997 \$	September 30, 1997 \$
ASSETS		
Current		
Cash and cash equivalents	28,080,345	8,820,482
Investment tax credits receivable	818,000	1,583,000
Prepaid expenses and other assets	312,245	125,655
Total current assets	29,210,590	10,529,137
Deferred share issue costs	-	27,000
Capital assets	867,978	882,904
Medical technology	464,369	248,269
	30,542,937	11,687,310

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	810,029	887,417
Unearned revenue	81,000	81,000
Total current liabilities	891,029	968,417

Shareholders' equity

Share capital		
Preference shares:		
December 31, 1997 – Nil		
September 30, 1997 – 8,340,833	-	21,541,142
Common shares:		
December 31, 1997 – 11,395,922		
September 30, 1997 – 405,189	42,143,988	123,790
Contributed surplus	25,208	25,208
Deficit	(12,517,288)	(10,971,247)
Total shareholders' equity	29,651,908	10,718,893
	30,542,937	11,687,310

On behalf of the Board:



William L. Hunter, MD
Chairman and Chief Executive Officer



Donald E. Longenecker, PhD
President and COO

ANGIOTECH PHARMACEUTICALS, INC.
STATEMENTS OF LOSS AND DEFICIT

Three Months Ending December 31
(Unaudited)

	1997 \$	1996 \$
REVENUE		
Research contract	81,443	-
Interest and other income	258,972	36,582
	<u>340,415</u>	<u>36,582</u>
EXPENSES		
Research and development	1,141,014	1,081,684
General and administrative	745,442	494,393
	<u>1,886,456</u>	<u>1,576,077</u>
Loss for the period	1,546,041	1,539,495
Deficit, beginning of period	10,971,247	5,034,445
Deficit, end of period	12,517,288	6,573,940
Loss per share	(0.16)	(0.24)
Weighted average number of shares outstanding	9,384,222	6,335,205

ANGIOTECH PHARMACEUTICALS, INC.
STATEMENTS OF CHANGES IN FINANCIAL POSITION

Three Months Ending December 31
(Unaudited)

	1997 \$	1996 \$
OPERATING ACTIVITIES		
Loss for the period	(1,546,041)	(1,539,495)
Add items not involving cash:		
Amortization	104,512	92,400
Net change in non-cash working capital balances related to operations	501,023	(362,822)
Cash used in operating activities	(940,506)	(1,809,917)
INVESTING ACTIVITIES		
Purchase of capital assets	(79,387)	(152,637)
Cost of medical technology	(226,300)	(41,100)
Cash used in investing activities	(305,687)	(193,737)
FINANCING ACTIVITIES		
Deferred share issue costs	27,000	-
Issuance of Common shares on Initial Public Offering, net of issue costs	20,301,156	-
Proceeds from stock options exercised	177,900	60,696
Issuance of Common shares upon conversion of convertible Preferred shares	21,541,142	-
Conversion of Preferred shares	(21,541,142)	-
Issue of Preferred shares for cash, net of issue costs	-	6,984,166
Cash provided by financing activities	20,506,056	7,044,862
Net increase in cash position during the period	19,259,863	5,041,208
Cash position, beginning of period	8,820,482	3,272,835
Cash position, end of period	28,080,345	8,314,043

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

The net loss for the three months ended December 31, 1997 was \$1.5 million (\$0.16 per share) as compared to a net loss of \$1.5 million (\$0.24 per share) for the same period in 1996. Revenue for the quarter was \$340,415, which represents a significant increase from the prior year. This was due primarily to an increase in research contract revenue of \$81,443 for the period as compared to Nil for the same period in 1996, and an increase in interest income due to significantly higher cash balances in the current period.

Net research and development expenses were comparable to that of the prior year. General and administrative expenses increased by approximately \$251,000 as compared to 1996. This increase was attributable to higher operating costs associated with larger premises and an increase

in staff and expenses to support the research and development programs.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 1997 the Company had working capital of \$28.4 million and cash and short-term investments totaling \$28 million. On December 18, 1997, the Company received gross proceeds of \$22 million from the Initial Public Offering of 2.2 million Common shares on the Toronto Stock Exchange. In addition, 8,340,833 Preferred shares were converted into Common shares upon the completion of the Initial Public Offering. On January 30, 1998, the Company received additional gross proceeds of \$2.5 million from the exercise of the over allotment option from the Initial Public Offering.

This Quarterly Report contains forward-looking statements concerning, among other things, the Company's plans and objectives for future operations which are based on various factors and assumptions. All such forward-looking statements are, by necessity, only estimates of future results and actual results may differ materially from these statements due to a number of factors, including (i) the Company's ability to successfully complete independent clinical studies, (ii) decisions, and the timing of decisions, made by health regulatory agencies regarding approval of the Company's products, (iii) the Company's ability to complete and maintain corporate alliances relating to the development and commercialization of its technologies and products and (iv) the Company's ability to further develop in-house R&D expertise and facilities. The Company assumes no obligation to update these forward-looking statements to reflect actual results, changes and assumptions or changes in other factors affecting such statements.

Angiotech Pharmaceuticals, Inc.
6660 N.W. Marine Drive, Vancouver B.C. CANADA V6T 1Z4
Tel: 604.221.7676 Fax: 604.221.2330
E: info@angiotech.com Web: www.angiotech.com

A N G I O T E C H
Pharmaceuticals, Inc.

FIRST QUARTER REPORT (Ended December 31, 1997)

Dear Shareholders:

The first quarter of 1998 represents Angiotech's successful start as a public company.

During the quarter, Angiotech licensed a number of technologies relating to the Company's vascular and nonvascular programs. The Company licensed the rights to one issued U.S. patent from the National Institutes of Health relating to the use of paclitaxel and other microtubule stabilizing agents for the treatment of vascular diseases such as atherosclerosis and restenosis. This patent, in conjunction with Angiotech's patent covering paclitaxel-coated stents, supports the \$32 million co-exclusive, worldwide licensing agreement with Boston Scientific Corporation and Cook Incorporated, (two multinational medical device companies). In addition, the Company licensed the rights to three issued U.S. patents from Harvard University relating to the application of an agent which inhibits smooth muscle proliferation to the outside (adventitia) of a body passageway (e.g., blood vessels, gastrointestinal tract, genitourinary tract) and one patent application from the University of Washington relating to perivascular (outer surface) application of antithrombotic (e.g., heparin) or anti-proliferative agents for the treatment of vascular diseases.

On December 18, 1997, we completed our \$22 million Initial Public Offering on the Toronto Stock Exchange (trading symbol "ANP") at \$10 per share. The Offering was exceptionally well received in a most challenging market environment. The lead investor was International Biotechnology Trust (managed by the Rothschild Bioscience Unit), which made its first Canadian investment, committing \$7 million to Angiotech. Subsequent to the Offering, the Company's underwriters exercised their over allotment option and purchased an additional 250,000 Common shares at \$10 per share, bringing the total raised to \$24.5 million.

The success of Angiotech's public financing will enable the Company to continue the development of its pharmaceutical programs such as multiple sclerosis, rheumatoid arthritis and psoriasis into human clinical studies as planned.

Yours very truly,

ANGIOTECH PHARMACEUTICALS, INC.



William L. Hunter, MD
Chairman and Chief Executive Officer
February 26, 1998



Donald E. Longenecker, PhD
President and COO