

BALANCE SHEETS

As at	June 30, 1999 \$	September 30, 1998 \$
ASSETS		
Current		
Cash and cash equivalents	4,732,939	3,504,998
Short-term investments	13,129,109	21,992,403
Accounts receivable	94,257	191,955
Prepaid expenses and other assets	169,110	132,658
Total current assets	18,125,415	25,822,014
Capital assets	1,015,620	934,421
Medical technology	2,333,429	751,419
	21,474,464	27,507,854
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	500,654	766,710
Total current liabilities	500,654	766,710
Shareholders' equity		
Share capital		
Common shares:		
June 30, 1999 – 11,792,435		
September 30, 1998 – 11,728,589	45,151,525	44,382,910
Contributed surplus	60,059	60,059
Deficit	(24,237,774)	(17,701,825)
Total shareholders' equity	20,973,810	26,741,144
	21,474,464	27,507,854

On behalf of the Board:



William L. Hunter, MD, MSc
Chairman and Chief Executive Officer



Donald E. Longenecker, PhD
President and COO

STATEMENTS OF LOSS AND DEFICIT

Nine Months Ended June 30 (Unaudited)

	Three Months Ended June 30		Nine Months Ended June 30	
	1999	1998	1999	1998
	\$	\$	\$	\$
REVENUE				
Research contract and licensing	43,098	75,260	3,198,768	275,840
Interest and other income	201,342	400,701	772,217	1,107,475
	244,440	475,961	3,970,985	1,383,315
EXPENSES				
Research and development	2,408,777	1,477,954	7,187,998	3,782,209
Amortization and depreciation	230,647	89,070	557,990	305,156
General and administrative	882,319	764,706	2,760,946	2,156,292
	3,521,743	2,331,730	10,506,934	6,243,657
Loss for the period	3,277,303	1,855,769	6,535,949	4,860,342
Deficit, beginning of period	20,960,471	13,975,820	17,701,825	10,971,247
Deficit, end of period	24,237,774	15,831,589	24,237,774	15,831,589
Loss per share	(0.28)	(0.16)	(0.56)	(0.45)
Weighted average number of shares outstanding	11,792,435	11,728,811	11,772,556	10,898,551

STATEMENTS OF CASH FLOWS

Nine Months Ended June 30 (Unaudited)

	Three Months Ended June 30		Nine Months Ended June 30	
	1999	1998	1999	1998
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Loss for the period	(3,277,303)	(1,855,769)	(6,535,949)	(4,860,342)
Add items not involving cash:				
Amortization	230,647	89,070	557,990	305,156
Deferred income	-	-	-	(81,000)
Net change in non-cash working capital items related to operations:				
Accounts receivable	(26,229)	29,567	97,698	(8,416)
ITC receivable	-	-	-	765,000
Prepaid expenses and other assets	43,315	24,513	(36,452)	(84,947)
Accounts payable and accrued liabilities	(579,006)	(147,444)	(266,057)	(318,324)
Cash used in operating activities	(3,608,576)	(1,860,063)	(6,182,770)	(4,282,873)
INVESTING ACTIVITIES				
Purchase of short-term investments	(13,129,109)	(15,785,932)	(32,338,565)	(39,235,124)
Proceeds from short-term investments	6,127,131	17,661,672	41,201,859	17,661,672
Purchase of capital assets	(132,706)	(104,792)	(402,498)	(238,668)
Cost of medical technology	(102,900)	(174,200)	(1,049,925)	(451,360)
Cash provided by (used in) investing activities	(7,237,584)	1,596,748	7,410,871	(22,263,480)
FINANCING ACTIVITIES				
Deferred share issue costs	-	-	-	27,000
Issuance of Common shares on Public Offering, net of issue costs	-	(158,423)	(160)	22,260,867
Proceeds from stock options exercised	-	5,500	-	384,275
Common shares repurchased and cancelled	-	(2,474)	-	(4,412)
Cash provided by (used in) financing activities	-	(155,397)	(160)	22,667,730
Net increase (decrease) in cash position during the period	(10,846,160)	(418,712)	1,227,941	(3,878,623)
Cash position, beginning of period	15,579,099	5,360,571	3,504,998	8,820,482
Cash position, end of period	4,732,939	4,941,859	4,732,939	4,941,859

MANAGEMENT DISCUSSION AND ANALYSIS

ANGIOTECH
Pharmaceuticals®

THIRD QUARTER REPORT (Ended June 30, 1999)

Results of Operations

The net loss for the nine months ended June 30, 1999 was approximately \$6.5 million (\$0.56 per share) as compared to a net loss of approximately \$4.9 million (\$0.45 per share) for the same period in 1998. Revenue for the nine month period was approximately \$4.0 million, which represents a significant increase from 1998 of approximately \$1.4 million. Research contract and licensing revenue of approximately \$3.2 million was the main contributor to the increase for the period. Interest and other income decreased during the period due to reducing cash and short-term investment balances and less favourable foreign exchange rates on U.S. denominated cash and investments as compared to that in 1998.

Net research and development expenses increased 190% to approximately \$7.19 million as compared to \$3.78 million in 1998. The three ongoing phase I/II clinical trials and expenditures relating to a collaboration with one of the Company's licensing partners contributed to the increase. General and administrative expenses for the nine month period increased 28% to approximately \$2.76 million as compared to \$2.16 million for the same period in 1998. This increase was largely due to increased operating costs associated with supporting the 3 clinical trials, licensing activities and the expansion of the Company's existing laboratory facilities. The

increase in amortization expense relates to the amortization of capital assets and certain licenses that were acquired during the period.

Liquidity and Capital Resources

At June 30, 1999 the Company had working capital of approximately \$17.6 million and cash and cash equivalents and short-term investments totaling approximately \$17.9 million.

On July 9, 1999, the Company received gross proceeds of \$16.33 million from the secondary public offering of 1.42 million Common shares of the Company on the Toronto Stock Exchange. The net proceeds from this offering will be used to fund the ongoing phase I/II and subsequent phase II clinical trials for the Company's multiple sclerosis program.

With the estimated net proceeds from the secondary offering, the Company has pro-forma working capital of approximately \$32.7 million and pro-forma cash and short-term investments of approximately \$33.0 million.

Angiotech continues to monitor its Year 2000 compliance program of its internal automated systems that may be significant. No material costs were incurred during the period.

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 trials, (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.

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Dear Shareholders:

The past quarter has been extremely active for Angiotech, as we successfully raised over \$16 million to fund our phase II multiple sclerosis (MS) clinical study.

On May 10th, we announced promising preliminary results from our phase I/II secondary progressive MS study. The data showed that a significant percentage of patients treated with micellar paclitaxel displayed favorable trends on overall disability and function, quality of life and changes in the amount of brain tissue scarring as demonstrated by MRI. Because of these positive results, we decided to accelerate the internal development of our MS program. As a result, on June 17th, we announced a public offering to raise \$15 million to fund a 190-patient, double-blind, placebo-controlled, phase II MS study to be initiated later in the year at multiple centers across Canada.

Less than a month later, we closed the necessary financing, raising approximately \$16 million through issuance of Common shares from Treasury at a price of \$11.50 per share. The time from decision to pricing was less than two weeks and we were very pleased with the overwhelming market response.

Over the next quarter, we look forward to bringing you news on the status of our accelerated MS program. The complete clinical results of our phase I/II MS study will be presented by the principal investigator, Dr. Paul O'Connor, at the American Neurological Association 124th Annual Meeting on October 10, 1999 in Seattle, WA. This venue will be a great opportunity for Angiotech's MS program to generate further interest and exposure by attracting the attention of over 1,200 attendees including the media and world-renowned neurologists. It was indeed gratifying to see that our efforts over the past years had translated into real therapeutic benefits to these patients. Our past and new shareholders have provided us with the resources necessary to test these findings in a larger number of patients and enabled us to fulfill our obligation of rapidly making this therapy available to a larger number of patients.

Further, our corporate partners, Boston Scientific Corp., Cook Inc. and C.R. Bard, continue to make progress with the development of paclitaxel-coated stents and implants used in peripheral vascular surgery, respectively.

Yours very truly,

ANGIOTECH PHARMACEUTICALS, INC.

William L. Hunter, MD, MSc
Chairman and Chief Executive Officer

Donald E. Longenecker, PhD
President and COO

August 27, 1999