Message to the Shareholders

To our Shareholders:
The first quarter of fiscal year 2001, ended September 30, 2000 was very productive for *Toxin Alert* as we reached a number of early milestones in the growth in the *Company*. Our plans to finalize a commercial version of the patented Toxin Guard™ technology are proceeding at a satisfactory pace. We are also continuing discussions with some major names in the U.S. and Canadian food processing and food packaging industries with a view toward entering into a strategic alliance in the near future. We continue to patiently evaluate all our options.

Highlights
On July 7, 2000 the *Company* called the Class B warrants outstanding, and on August 21, 100% of the warrants were converted into common stock in the Company by the warrant holders.

On July 17, we entered into an agreement with Cellex Biosciences, Inc. to purchase up to 30 large-scale bioreactors for installation in the laboratory the *Company* has planned at the University of Guelph. The laboratory, as envisioned, would be one of the largest bioreactor facilities in existence, and possibly the largest ever on a university campus.

On September 11, the Ontario Ministry of Agriculture, Food, and Rural Affairs (OMAFRA) announced a grant of $1.73 million from the Healthy Futures Fund for the promotion and extension of research sponsored by Toxin Alert at the University of Guelph. The Honorable Ernie Hardeman, Minister of OMAFRA, made the announcement at the *Toxin Alert* head-quarters in Mississauga. The objective of the research, which had been sponsored solely by your *Company* for over one year, is the expression of antibodies in agriculture plants on a large scale for commercial use. The research, under the direction of Dr. Chris Hall, is well under way, and the agricultural aspects of the program are approaching field trials.

Subsequent Event
On October 17, the *Company* opened its bioreactor facility at the University of Guelph. The facility is located in the Guelph Food Technologies Centre, in the very heart of the Guelph campus. The facility was initially equipped with 5 large scale and 6 medium-scale bioreactors, and 5 additional large-scale bioreactors are to be installed shortly. In its final configuration the facility will house up to 30 large-scale bioreactors. The facility is under the direction of Mr. Gord Furzer, Vice-President of the *Company*, and is available for use by University of Guelph personnel at no charge.

Outlook
The outlook for your *Company* is strong. Our science and technology is growing and maturing at a very satisfactory rate and we continue to add to our intellectual and physical assets. We remain focused on the presentation of Toxin Guard™ to the consumer markets in North America, and we are doing everything possible to expedite the process. However, we are committed to a final product that will perform well for consumers and maximize value for our shareholders. Consequently, we are carefully evaluating any alliances we make, whether it be with potential customers, governmental agencies, or suppliers.

We are very grateful for the patience and support of our shareholders and other investors, the dedication and loyalty of our employees, and for the wonderful relationships we have built with our business and academic partners.

Respectfully submitted,

G. Montegu Black
Chairman
Toxin Alert Inc.

William T. Bodenhamer
President & Chief Executive Officer
Toxin Alert Inc.

Other Business
On July 7, 2000 the Board of Directors approved the calling of the Class B Common Share Purchase Warrants for redemption. On August 21, 2000 all the Class B warrants were converted resulting in net proceeds of $2,019,395. Proceeds relating to the warrant call will be used in the establishment of a large-scale bioreactor facility in co-operation with the University of Guelph at Guelph, Ontario and for general corporate purposes.

On July 17, 2000, the Company entered into an agreement with Cellex Biosciences, Inc., a U.S. Corporation, for the purchase of equipment in connection with the establishment of the bioreactor facility, previously described. The first increment of equipment consists of 10 large-scale commercial bioreactors and 6 medium-scale bioreactors. The cost of this equipment will be approximately $700,000. Future plans call for a total of 25-30 large-scale bioreactors to be installed at the facility. The investment in the large number of bioreactors is required in order to fulfill the *Company's* anticipated commercial requirements of antibodies. Cellex has agreed to commercially broker any excess antibody production.

The Ministry of Agriculture, Food and Rural Affairs announced on September 13, 2000, that they will invest $1.7 million in research carried out at the University of Guelph. *Toxin Alert* along with other project partners Ontario Agri-Food Technologies and SYN X Pharma Inc. will develop tobacco and potato plants capable of producing antibodies that can detect the presence of food-borne pathogens such as Listeria and E.coli.

Financial Highlights
For the three months ended September 30, 2000, the *Company* recorded a loss of $277,461, or $0.05 per share, compared to a loss of $519,614, for the three months ended September 30, 1999.

Revenue for the three months ended September 30, 2000 totals $37,246, this is an increase of $33,416 over the same period last year. Revenues for the current period resulted from the following: (a) charge to other companies for the use of personnel $900, and (b) interest income of $36,346.

Research and development expenditure for the three months ended September 30, 2000, decreased by $169,438 to $189,203, before consideration of tax credits, as compared with $358,641 for the prior period. The decrease in expenses is attributable to the fact that the research contract with Syn•X Pharma Inc. was completed in the early part of 2000.

Investment tax credits have decreased to $47,320 for the three months ended September 30, 2000 as compared to $50,100 for the three months ended September 30,1999. This decrease is a result of the reduction in research and development costs.

General and administrative expenses decreased by $71,208 to $143,695 for the three months ended September 30, 2000 from $214,903 for the three months ended September 30, 1999. The decrease is a result of the contract with PMK Associates being completed.

Amortization of capital assets for the three months ended September 30, 2000 and 1999, increased to $29,129 from $nil. This reflects expansion of the research laboratory facilities and associated expenditures in capital equipment used in research and development.

Balance Sheets

	As at September 30, 2000 (unaudited)	As at June 30, 2000 (audited)
Assets		
Current assets		
Cash	**$ 3,314,605**	$ 1,761,744
Accounts receivable	**-**	9,839
GST receivable	**130,344**	108,064
Prepaid expenses and other receivables	**42,622**	20,741
Tax credits recoverable	**536,398**	543,265
	4,023,969	2,443,653
Capital assets	**574,672**	440,572
	$ 4,598,641	$ 2,884,225
Liabilities & Shareholders' Deficiency		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 253,881**	$ 267,474
Promissory note	**225,000**	225,000
	478,881	492,474
Shareholders' deficiency		
Share capital		
Common shares issued: September 30, 2000 - 6,863,110; June 30, 2000 - 5,470,610	**6,578,840**	4,573,370
Deficit	**(2,459,080)**	(2,181,619)
	4,119,760	2,391,751
	$ 4,598,641	$ 2,884,225

See accompanying notes

Statements of Profit and Loss

	Three Months ended Sept. 30, 2000 (unaudited)	Three Months ended Sept. 30, 1999 (unaudited)	Year ended June 30, 2000 (see note 2)
Revenue			
Revenue	**$ 900**	$ -	$ 68,471
Interest income	**36,346**	3,830	77,219
	37,246	3,830	145,690
Expenses			
Research and Development			
Salaries and benefits	**72,140**	32,282	182,448
Lab supplies & services	**38,648**	2,382	141,328
Research funding	**53,621**	287,041	605,022
Miscellaneous costs	**24,794**	36,936	188,025
Total research and development	**189,203**	358,641	1,116,823
Less: Tax credits	**(47,320)**	(50,100)	(320,235)
	141,883	308,541	796,588
General and administration			
Salaries and benefits	**44,156**	-	16,140
Professional fees	**60,515**	189,503	784,449
Miscellaneous costs	**39,024**	25,400	189,321
Total general and administration	**143,695**	214,903	989,910
Amortization	**29,129**	-	49,600
	314,707	523,444	1,836,098
Loss for the period	**277,461**	519,614	1,690,408
Deficit beginning of period	**2,181,619**	491,211	491,211
Deficit end of period	**$ 2,459,080**	$ 1,010,825	$ 2,181,619
Loss per common share	**$ 0.05**	$ -	$ 0.42
Weighted average number of common shares outstanding	**6,077,007**	-	4,034,215

See accompanying notes

Statement of Cashflows

	Three Months ended Sept. 30, 2000 (unaudited)	Three Months ended Sept. 30, 1999 (unaudited)	Three Months ended June 30, 2000 (audited)
Cash flows from operating activities:			
Loss for the period	$ (277,461)	$ (519,614)	$ (1,690,408)
Items not involving cash:			
Amortization	29,129	-	49,600
Common shares issued for services rendered	-	-	573,452
Change in non-cash working capital:			
Decrease (increase) in tax credits recoverable	6,867	-	(431,750)
Decrease (increase) in GST receivable	(22,280)	(13,424)	(94,442)
Decrease (increase) in accounts receivable	9,839	(50,900)	(9,839)
Decrease (increase) in prepaid expense	(21,881)	(35,144)	19,264
Increase (decrease) in accounts payable and accrued liabilities	(13,594)	(185,591)	(91,990)
	(289,381)	(804,673)	(1,676,113)
Cash flows used in financing activities:			
Issue of common shares, net of issue costs	2,019,395	385,125	3,915,968
Issue of warrants, net of issue costs	-	1,186,331	23,920
Conversion of warrants	(13,925)	-	-
Repayment of promissory note	-	(21,983)	(17,093)
	2,005,470	1,549,473	3,922,795
Cash flows used in investing activities:			
Acquisition of capital assets, net of tax credits	(163,228)	-	(479,620)
	(163,228)	-	(479,620)
Increase (decrease) in cash and cash equivalents	1,552,861	744,800	1,767,062
Cash and cash equivalents, beginning of period	1,761,744	(5,318)	(5,318)
Cash and cash equivalents, end of period	$ 3,314,605	$ 739,482	$ 1,761,744

See accompanying notes

Notes to Financial Statements (unaudited)

1. Basis of Presentation

The accompanying unaudited interim financial statements have been prepared by the company in accordance with accounting principles generally accepted in Canada for interim financial statements and reflect, in the opinion of management, all adjustments (which include reclassifications and normal recurring adjustments) necessary to present fairly the financial position, results of operation and cash flows at September 30, 2000 and for all periods presented.

The accounting principles and methods of computation adopted in these financial statements are the same as those of the audited financial statements for the year ended June 30, 2000.

Certain information and note disclosure normally included in the financial statements prepared in accordance with accounting principles generally accepted in Canada have been omitted. It is suggested that the present financial statements and notes should be read in conjunction with the audited financial statements for the year ended June 30, 2000. The results of operations for the three-month period ended September 30, 2000 are not necessarily indicative of the results for the full year.

2. Re-classification

A portion of research and development and general and administrative expenses, for the year ended June 30, 2000, have been re-classified to reflect adjustments identified during the tax filing process.

3. Loss per Share

Loss per share is computed by dividing the net income or loss for the period by the weighted average number of common shares outstanding during the period.

4. Share Capital

a. Common Shares and Warrants

On July 7, 2000, the Board of Directors approved the calling of the Class B warrants. Each warrant entitled the bearer to one share at a price of $1.50 per share. On August 21, 2000 all the warrants were converted for a net amount of $2,019,395.

b. Stock Option Plan

The *Company*'s Stock Option Plan provides for the issuance of options to acquire up to 600,000 common shares. In addition, the *Company* has granted options to four senior officers and directors of the *Company* to purchase a total of 300,000 common shares.

b. Stock Options

During the three months ended September 30, 2000, no new options were granted.

At September 30, 2000 the *Company* had 495,000 stock options outstanding at an average exercise price of $2.20. The options expire on December 31, 2002 and January 31, 2003. Of the stock options granted to the officers and directors 282,500 were outstanding on September 30, 2000. The exercise price of these options is $1.00 and they expire on January 1, 2003.

5. Related Party Transactions

During the first three months of 2000, the *Company* entered into the following transactions with investees, shareholders and directors:

Research and administrative service fees	$ 20,834
Consulting services	$ 45,000
Interest expense	$ 6,848

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TOXIN alert INC.

1 Quarter

For the three months ended September 30, 2000