UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 OF THE SECURITIES EXCHANGE ACT OF 1934

For the month of March 2014

Commission File Number: 001-34949

Tekmira Pharmaceuticals Corporation

(Translation of registrant's name into English)

100-8900 Glenlyon Parkway
Burnaby, British Columbia
Canada, V5J 5J8
(*Address of principal executive offices*)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.
Form 20-F ☑ Form 40-F o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1) o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7) o

INCORPORATION BY REFERENCE

Exhibits 99.1 and 99.2 to this Form 6-K are hereby incorporated by reference into the registration statement on Form S-8 (File No. 333-186185) of Tekmira Pharmaceuticals Corporation and as an exhibit to the registration statement on Form F-10 (File No. 333-194068) of Tekmira Pharmaceuticals Corporation.

DOCUMENTS FILED AS PART OF THIS FORM 6-K

See the Exhibit Index hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Tekmira Pharmaceuticals Corporation

Date: March 6, 2014

By: /s/ Bruce G. Cousins
Name: Bruce G. Cousins
Title: Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit	Description
99.1	Audited Annual Consolidated Financial Statements for the fiscal year ended December 31, 2013
99.2	Management's Discussion and Analysis of Financial Condition and Operations for the fiscal year ended December 31, 2013
99.3	Form 52 - 109F1 - Certification of Annual Filings (Chief Executive Officer
99.4	Form 52 - 109F1 - Certification of Annual Filings (Chief Financial Officer)

Exhibit 99.1

TEKMIRA PHARMACEUTICALS CORPORATION

Consolidated Financial Statements (expressed in United States dollars)

(Prepared in accordance with generally accepted accounting principles used in the United States of America (U.S. GAAP))

December 31, 2013

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements contained in this report have been prepared by management in accordance with generally accepted accounting principles in the United States of America and have been approved by the Board of Directors. The integrity and objectivity of these consolidated financial statements are the responsibility of management.

In support of this responsibility, management maintains a system of internal controls to provide reasonable assurance as to the reliability of financial information and the safe-guarding of assets. The consolidated financial statements include amounts which are based on the best estimates and judgments of management.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control and exercises this responsibility principally through the Audit Committee. The Audit Committee consists of three directors not involved in the daily operations of the Company. The Audit Committee meets with management and meets independently with the external auditors to satisfy itself that management's responsibilities are properly discharged and to review the consolidated financial statements prior to their presentation to the Board of Directors for approval.

The external auditors, KPMG LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards and the Public Company Accounting Oversight Board (United States), and express their opinion on the consolidated financial statements. Their examination includes a review of the Company's system of internal controls and appropriate tests and procedures to provide reasonable assurance that the consolidated financial statements are, in all material respects, presented fairly and in accordance with accounting principles generally accepted in the United States of America. The external auditors have free and full access to the Audit Committee with respect to their findings concerning the fairness of financial reporting and the adequacy of internal controls.

/s/ Mark J. Murray

Dr. Mark J. Murray
President and
Chief Executive Officer
March 6, 2014

/s/ Bruce G. Cousins

Bruce G. Cousins
Executive Vice President, Finance and
Chief Financial Officer

KPMG LLP
Chartered Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Tekmira Pharmaceuticals Corporation

We have audited the accompanying consolidated financial statements of Tekmira Pharmaceuticals Corporation, which comprise the consolidated balance sheets as at December 31, 2013 and December 31, 2012, the consolidated statements of operations and comprehensive income (loss), stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with US generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Tekmira Pharmaceuticals Corporation as at December 31, 2013 and December 31, 2012 and its consolidated results of operations and its consolidated cash flows for each of the years in the three-year period ended December 31, 2013 in accordance with US generally accepted accounting principles.

//s// KPMG LLP

Chartered Accountants

March 5, 2014
Vancouver, Canada

TEKMIRA PHARMACEUTICALS CORPORATION

Consolidated Balance Sheets
(Expressed in US Dollars)
(Prepared in accordance with US GAAP)

	December 31 2013	December 31 2012
Assets		
Current assets:		
Cash and cash equivalents	**$ 68,716,531**	47,024,124
Accounts receivable	**116,556**	1,074,891
Accrued revenue	**212,384**	2,373,881
Deferred expenses	**172,952**	431,410
Investment tax credits receivable	**40,200**	9,875
Prepaid expenses and other assets	**1,084,030**	329,280
Total current assets	**70,342,653**	51,243,461
Property and equipment (note 4)	**13,038,751**	13,188,186
Less accumulated depreciation (note 4)	**(11,665,594)**	(11,836,456)
Property and equipment, net of accumulated depreciation (note 4)	**1,373,157**	1,351,730
Total assets	**$ 71,715,810**	$ 52,595,191
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 10)	**$ 3,680,462**	3,795,546
Deferred revenue (note 3)	**3,463,255**	3,143,580
Warrants (note 2 and 5)	**5,378,772**	4,014,821
Total current liabilities	**12,522,489**	10,953,947
Deferred revenue, net of current portion (note 3)	**-**	722,445
Total liabilities	**12,522,489**	11,676,392
Stockholders' equity:		
Common shares (note 5)		
Authorized - unlimited number with no par value		
Issued and outstanding: 19,048,900 (December 31, 2012 - 14,305,356)	**216,701,859**	181,785,818
Additional paid-in capital	**25,343,481**	24,786,028
Deficit	**(167,026,633)**	(152,962,407)
Accumulated other comprehensive income (loss)	**(15,825,386)**	(12,690,640)
Total stockholders' equity	**59,193,321**	40,918,799
Total liabilities and stockholders' equity	**$ 71,715,810**	$ 52,595,191

Nature of business and future operations (note 1)
Contingencies and commitments (note 8)
Subsequent events (note 11)

See accompanying notes to the consolidated financial statements.

TEKMIRA PHARMACEUTICALS CORPORATION

Consolidated Statements of Operations and Comprehensive Income (Loss)
(Expressed in US Dollars)
(Prepared in accordance with US GAAP)

	Year ended December 31		
	2013	2012	2011
Revenue (note 3)			
Collaborations and contracts	**$ 10,424,569**	$ 12,105,186	$ 16,311,590
Licensing fees, milestone and royalty payments	**5,039,581**	2,000,000	500,000
Total revenue	**15,464,150**	14,105,186	16,811,590
Expenses			
Research, development, collaborations and contracts	**21,458,258**	18,043,356	20,131,922
General and administrative	**5,546,273**	8,140,779	6,386,386
Depreciation of property and equipment	**612,837**	865,599	986,932
Total expenses	**27,617,368**	27,049,734	27,505,240
Loss from operations	**(12,153,218)**	(12,944,548)	(10,693,650)
Other income (losses)			
Interest income	**539,996**	138,320	126,314
Licensing settlement payment (note 3(b))	**-**	65,000,000	-
Licensing settlement legal fees (note 3(b))	**-**	(18,737,966)	-
Foreign exchange gains (losses)	**1,079,310**	24,855	(14,692)
Warrant issuance costs (note 5)	**-**	(47,030)	(80,937)
(Increase) decrease in fair value of warrant liability (note 2)	**(3,530,314)**	(3,821,635)	579,474
Net income (loss)	**$ (14,064,226)**	$ 29,611,996	$ (10,083,491)
Income (loss) per common share (note 2)			
Basic	**$ (0.92)**	$ 2.16	$ (0.89)
Diluted	**$ (0.92)**	$ 2.07	$ (0.89)
Weighted average number of common shares			
Basic	**15,302,680**	13,727,925	11,318,766
Diluted	**15,302,680**	14,320,814	11,318,766
Comprehensive income (loss)			
Cumulative translation adjustment	**(3,134,746)**	473,825	(53,066)
Comprehensive income (loss)	**$ (17,198,972)**	$ 30,085,821	$ (10,136,557)

See accompanying notes to the consolidated financial statements.

TEKMIRA PHARMACEUTICALS CORPORATION

Consolidated Statement of Stockholders' Equity
(Expressed in US Dollars)
(Prepared in accordance with US GAAP)

	Number of shares	Share capital	Additional paid-in capital	Deficit	Accumulated other comprehensive income (loss)	Total stockholders' equity
Balance, December 31, 2010	10,338,702	$ 172,982,011	$ 23,410,834	$ (172,490,912)	$ (13,111,399)	$ 10,790,534
Stock-based compensation	-	-	633,449	-	-	633,449
Issuance of common shares pursuant to exercise of options	20,033	128,371	(117,586)	-	-	10,785
Issuance of common shares in conjunction with the public offering, net of issuance costs of $481,135 and net of initial fair value of warrants of $751,505	1,789,900	3,928,294	-	-	-	3,928,294
Currency translation adjustment	-	-	-	-	(53,066)	(53,066)
Net loss	-	-	-	(10,083,491)	-	(10,083,491)
Balance, December 31, 2011	12,148,635	$ 177,038,676	$ 23,926,697	$ (182,574,403)	$ (13,164,465)	$ 5,226,505
Stock-based compensation	-	-	982,290	-	-	982,290
Issuance of common shares pursuant to exercise of options	38,635	194,050	(122,959)	-	-	71,091
Issuance of common shares pursuant to exercise of warrants	269,485	1,512,973	-	-	-	1,512,973
Issuance of common shares in conjunction with the private offering, net of issuance costs of $178,521 and net of initial fair value of warrants of $850,907	1,848,601	3,040,119	-	-	-	3,040,119
Currency translation adjustment	-	-	-	-	473,825	473,825
Net income	-	-	-	29,611,996	-	29,611,996
Balance, December 31, 2012	14,305,356	$ 181,785,818	$ 24,786,028	$ (152,962,407)	$ (12,690,640)	$ 40,918,799
Stock-based compensation	-	-	**903,005**	-	-	**903,005**
Issuance of common shares pursuant to exercise of options	**125,596**	**734,872**	**(345,552)**	-	-	**389,320**
Issuance of common shares pursuant to exercise of warrants	**305,448**	**2,142,852**	-	-	-	**2,142,852**
Issuance of common shares in conjunction with the private offering, net of issuance costs of $2,461,683	**4,312,500**	**32,038,317**	-	-	-	**32,038,317**
Currency translation adjustment	-	-	-	-	**(3,134,746)**	**(3,134,746)**
Net loss	-	-	-	**(14,064,226)**	-	**(14,064,226)**
Balance, December 31, 2013	**19,048,900**	**$ 216,701,859**	**$ 25,343,481**	**$ (167,026,633)**	**$ (15,825,386)**	**$ 59,193,321**

TEKMIRA PHARMACEUTICALS CORPORATION

Consolidated Statements of Cash Flow
(Expressed in US Dollars)
(Prepared in accordance with US GAAP)

	Year ended December 31		
	2013	**2012**	**2011**
OPERATING ACTIVITIES			
Income (loss) for the year	**$ (14,064,226)**	$ 29,611,996	$ (10,083,491)
Items not involving cash:			
Depreciation of property and equipment	**612,837**	865,599	986,932
Stock-based compensation expense	**903,005**	982,290	633,449
Unrealized foreign exchange (gains) losses	**(18,119)**	29,292	(20,331)
Warrant issuance costs	**-**	47,030	80,937
Change in fair value of warrant liability	**3,530,314**	3,821,635	(579,474)
Fair value of warrants issued in conjunction with debt facility	**-**	-	35,414
Net change in non-cash operating items:			
Accounts receivable	**888,929**	(189,707)	2,397,321
Accrued revenue	**2,008,215**	(2,187,580)	621,552
Deferred expenses	**230,602**	360,720	(226,999)
Investment tax credits receivable	**(30,963)**	322,845	71,336
Inventory	**-**	-	148,214
Prepaid expenses and other assets	**(776,012)**	97,272	(107,504)
Accounts payable and accrued liabilities	**129,997**	(197,265)	(2,142,976)
Deferred revenue	**(153,138)**	(655,344)	354,662
Net cash (used in) operating activities	**(6,738,559)**	32,908,783	(7,830,958)
INVESTING ACTIVITIES			
Proceeds from sale of property and equipment	**-**	2,503	-
Acquisition of property and equipment	**(725,100)**	(14,900)	(60,378)
Net cash used in investing activities	**(725,100)**	(12,397)	(60,378)
FINANCING ACTIVITIES			
Proceeds from issuance of common shares and warrants, net of issuance costs	**32,038,317**	3,843,996	4,598,862
Issuance of common shares pursuant to exercise of options	**389,320**	71,091	10,786
Issuance of common shares pursuant to exercise of warrants	**288,824**	632,282	-
Net cash provided by financing activities	**32,716,461**	4,547,369	4,609,648
Effect of foreign exchange rate changes on cash & cash equivalents	**(3,560,395)**	549,610	(100,232)
Increase (decrease) in cash and cash equivalents	**21,692,407**	37,993,365	(3,381,920)
Cash and cash equivalents, beginning of year	**47,024,124**	9,030,759	12,412,678
Cash and cash equivalents, end of year	**$ 68,716,531**	$ 47,024,124	$ 9,030,759
Supplemental cash flow information			
Fair value of warrants exercised on a cashless basis	**$ 1,404,349**	$ 210,680	$ -
Investment tax credits received	**$ 9,875**	$ 322,720	$ 103,664
Fair value of warrants issued in conjunction with public offering	**$ -**	$ 850,907	$ 751,505
Fair value of warrants issued in conjunction with debt facility	**$ -**	$ -	$ 35,414

See accompanying notes to the consolidated financial statements.

1. Nature of business and future operations

Tekmira Pharmaceuticals Corporation (the "Company") is a Canadian biopharmaceutical business focused on advancing novel RNA interference therapeutics.

The success of the Company is dependent on obtaining the necessary regulatory approvals to bring its products to market and achieve profitable operations. The continuation of the research and development activities and the commercialization of its products are dependent on the Company's ability to successfully complete these activities and to obtain adequate financing through a combination of financing activities and operations. It is not possible to predict either the outcome of future research and development programs or the Company's ability to fund these programs in the future.

2. Significant accounting policies

Basis of presentation

Tekmira Pharmaceuticals Corporation was incorporated on October 6, 2005 as an inactive wholly owned subsidiary of Inex Pharmaceuticals Corporation ("Inex"). Pursuant to a "Plan of Arrangement" effective April 30, 2007 the business and substantially all of the assets and liabilities of Inex were transferred to the Company. The consolidated financial statements for all periods presented herein include the consolidated operations of Inex until April 30, 2007 and the operations of the Company thereafter.

These consolidated financial statements include the accounts of the Company and its two wholly-owned subsidiaries, Protiva Biotherapeutics Inc. and Protiva Biotherapeutics (USA), Inc., which were acquired on May 30, 2008. All intercompany transactions and balances have been eliminated on consolidation.

Comparative Information

Certain information has been reclassified to conform with the financial statement presentation adopted for the current year.

Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions about future events that affect the reported amounts of assets, liabilities, revenue, expenses, contingent assets and contingent liabilities as at the end or during the reporting period. Actual results could significantly differ from those estimates. Significant areas requiring the use of management estimates relate to recognition of revenue, stock-based compensation, share purchase warrant valuation and the amounts recorded as accrued liabilities.

Cash and cash equivalents

Cash and cash equivalents are all highly liquid instruments with an original maturity of three months or less when purchased. Cash equivalents are recorded at cost plus accrued interest. The carrying value of these cash equivalents approximates their fair value.

Fair value of financial instruments

We measure certain financial instruments and other items at fair value.

To determine the fair value, we use the fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use to value an asset or liability and are developed based on market data obtained from independent sources. Unobservable inputs are inputs based on assumptions about the factors market participants would use to value an asset or liability. The three levels of inputs that may be used to measure fair value are as follows:

- Level 1 inputs are quoted market prices for identical instruments available in active markets.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. If the asset or liability has a contractual term, the input must be observable for substantially the full term. An example includes quoted market prices for similar assets or liabilities in active markets.
- Level 3 inputs are unobservable inputs for the asset or liability and will reflect management's assumptions about market assumptions that would be used to price the asset or liability.

(Expressed in US dollars)

Assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurements. Changes in the observability of valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy.

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, investment tax credits receivable, accounts payable and accrued liabilities, and warrants and promissory notes.

The carrying values of cash and cash equivalents are recorded at fair value based on quoted prices in active markets. The carrying values of accounts receivable, investment tax credits receivable and accounts payable and accrued liabilities approximate their fair values due to the immediate or short-term maturity of these financial instruments.

As quoted prices for the warrants are not readily available, the Company has used a Black-Scholes pricing model, as described in Note 5, to estimate fair value. These are level 3 inputs as defined above.

The following tables present information about the Company's assets and liabilities that are measured at fair value on a recurring basis, and indicates the fair value hierarchy of the valuation techniques used to determine such fair value:

	Level 1	Level 2	Level 3	December 31, 2013
Assets				
Cash	$ 68,716,531	-	-	$ 68,716,531
Guaranteed Investment Certificates	-	-	-	-
Total	$ 68,716,531	-	-	$ 68,716,531
Liabilities				
Warrants	$ -	-	$ 5,378,772	$ 5,378,772

	Level 1	Level 2	Level 3	December 31, 2012
Assets				
Cash	$ 44,373,720	-	-	$ 44,373,720
Guaranteed Investment Certificates	2,650,404	-	-	2,650,404
Total	$ 47,024,124	-	-	$ 47,024,124
Liabilities				
Warrants	$ -	-	$ 4,014,821	$ 4,014,821

The following table presents the changes in fair value of the Company's warrants:

	Liability at beginning of the year	Opening liability of warrants issued in the year	Fair value of warrants exercised in the year	Increase (decrease) in value of warrants	Foreign exchange (gain) loss	Liability at end of the year
Year ended December 31, 2011	$ -	$ 786,919	$ -	$ (579,474)	$ (5,825)	$ 201,620
Year ended December 31, 2012	$ 201,620	$ 850,907	$ (880,691)	$ 3,821,635	$ 21,350	$ 4,014,821
Year ended December 31, 2013	$ 4,014,821	$ -	$ (1,854,028)	$ 3,530,314	$ (312,335)	$ 5,378,772

Inventory

Inventory includes materials assigned for the manufacture of products for collaborative partners and manufacturing costs for products awaiting acceptance by collaborative partners. Inventory is carried at the lower of cost and net realizable value. The cost of inventories includes all costs of purchase, costs of manufacturing and other costs incurred in bringing the inventories to their present location and condition.

Materials purchased for the Company's own research and development products, or, for collaborative partners where an acceptance criteria does not apply, are not recorded as inventory but are expensed at the time of receipt.

Property and equipment

Property and equipment is recorded at cost less impairment losses, accumulated depreciation, related government grants and investment tax credits. The Company records depreciation using the straight-line method over the estimated useful lives of the capital assets as follows:

	Rate
Laboratory equipment (years)	5
Computer and office equipment (years)	2 - 5
Furniture and fixtures (years)	5

Leasehold improvements are depreciated over their estimated useful lives but in no case longer than the lease term, except where lease renewal is reasonably assured. Assets held under capital leases that do not allow for ownership to pass to the Company are depreciated using the straight-line method over their useful life, not exceeding the lease term. Assets under construction are not depreciated until usage has begun.

Intangible assets

The costs incurred in establishing and maintaining patents for intellectual property developed internally are expensed in the period incurred.

Impairment of long-lived assets

If there is a major event indicating that the carrying value of property and equipment may be impaired then management will perform an impairment test and if the recoverable value, based on undiscounted future cash flows, exceeds carrying value then such assets are written down to their fair values.

Revenue recognition

The Company earns revenue from research and development collaboration and contract services, licensing fees and milestone payments. Revenues associated with multiple element arrangements are attributed to the various elements based on their relative fair values or are recognized as a single unit of accounting when relative fair values are not determinable. Non-refundable payments received under collaborative research and development agreements are recorded as revenue as services are performed and related expenditures are incurred. Non-refundable upfront license fees from collaborative licensing and development arrangements are recognized as the Company fulfills its obligations related to the various elements within the agreements, in accordance with the contractual arrangements with third parties and the term over which the underlying benefit is being conferred. Revenue earned under contractual arrangements upon the occurrence of specified milestones is recognized as the milestones are achieved and collection is reasonably assured.

Revenue earned under research and development manufacturing collaborations where the Company bears some or all of the risk of a product manufacturing failure is recognized when the purchaser accepts the product and there are no remaining rights of return.

Revenue earned under research and development collaborations where the Company does not bear any risk of product manufacturing failure is recognized in the period the work is performed. For contracts where the manufacturing amount is specified, revenue is recognized as product is manufactured in proportion to the total amount specified under the contract.

(Expressed in US dollars)

Revenue and expenses under the contract with the United States Government Department of Defense ("DoD") are being recorded using the percentage-of-completion method. Contract progress is based on costs incurred to date. Expenses under the contract are recorded in the Company's consolidated statement of operations and comprehensive income (loss) as they are incurred. Government contract revenues related to expenses incurred under the contract are recorded in the same period as those expenses. Expenses accrued under the contract but not yet invoiced are recorded in the Company's balance sheet as accrued liabilities and accrued revenues. Equipment purchased under the contract is recorded on the Company's balance sheet as deferred expense and deferred revenue and amortized, on a straight-line basis, over the life of the contract.

Cash or other compensation received in advance of meeting the revenue recognition criteria is recorded on the balance sheet as deferred revenue. Revenue meeting recognition criteria but not yet received or receivable is recorded on the balance sheet as accrued revenue.

Leases and lease inducements

Leases entered into are classified as either capital or operating leases. Leases which substantially transfer all benefits and risks of ownership of property to the Company are accounted for as capital leases. At the time a capital lease is entered into, an asset is recorded together with its related long-term obligation to reflect the purchase and financing.

All other leases are accounted for as operating leases wherein rental payments are expensed as incurred.

Lease inducements represent leasehold improvement allowances and reduced or free rent periods and are amortized on a straight-line basis over the term of the lease and are recorded as a reduction of rent expense.

Research and development costs

Research and development costs, including acquired in-process research and development expenses for which there is no alternative future use, are charged as an expense in the period in which they are incurred.

Income or loss per share

Income or loss per share is calculated based on the weighted average number of common shares outstanding. Diluted loss per share does not differ from basic loss per share since the effect of the Company's stock options and warrants is anti-dilutive. Diluted income per share is calculated using the treasury stock method which uses the weighted average number of common shares outstanding during the period and also includes the dilutive effect of potentially issuable common shares from outstanding, in-the-money stock options and warrants.

The following table sets out the computation of basic and diluted net income (loss) per common share:

	Year ended December 31		
	2013	2012	2011
Numerator:			
Net income (loss)	**$ (14,064,226)**	$ 29,611,996	$ (10,083,491)
Denominator:			
Weighted average number of common shares	**15,302,680**	13,727,925	11,318,766
Effect of dilutive securities:			
Warrants	-	177,374	-
Options	-	415,515	-
Diluted weighted average number of common shares	**15,302,680**	14,320,814	11,318,766
Basic income (loss) per common share	**$ (0.92)**	$ 2.16	$ (0.89)
Diluted income (loss) per common share	**$ (0.92)**	$ 2.07	$ (0.89)

For the year ended December 31, 2013, potential common shares of 3,064,767 were excluded from the calculation of income per common share because their inclusion would be anti-dilutive (December 31, 2012 –1,085,503; December 31, 2011 – 2,694,330).

Government grants and refundable investment tax credits

Government grants and tax credits provided for current expenses is included in the determination of income or loss for the year, as a reduction of the expenses to which it relates. Government grants and tax credits towards the acquisition of property and equipment is deducted from the cost of the related property and equipment.

Foreign currency translation and change in reporting currency

The functional currency of the Company is the Canadian dollar. For the Company and its integrated subsidiaries (Protiva Biotherapeutics Inc. and Protiva Biotherapeutics (USA), Inc.), foreign currency monetary assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates. The previous month's closing rate of exchange is used to translate revenue and expense transactions. Exchange gains and losses are included in income or loss for the period.

Effective October 1, 2013, the Company is using United States dollars as its reporting currency. All assets and liabilities are translated using the exchange rate at the balance sheet date (2013 – 0.9402; 2012 – 1.0051; 2011 – 0.9833). Revenues, expenses and other income (losses) are translated using the average rate for the period (2013 – 0.971; 2012 – 1.001; 2011 – 1.012), except for large transactions, for which the exchange rate on the date of the transaction is used. Equity accounts are translated using the historical rate. As a result of the change in reporting currency, the Company is reporting an accumulated other comprehensive loss of $15,825,386 as at December 31, 2013 (2012 - $12,690,640; 2011 – $13,164,466) in its consolidated balance sheets. As the translation differences from the Company's functional currency of Canadian dollars to the Company's reporting currency of U.S. dollars are unrealized gains and losses, the differences are recorded in other comprehensive income (loss), and do not impact the calculation of Earnings per Share.

Deferred income taxes

Income taxes are accounted for using the asset and liability method of accounting. Deferred income taxes are recognized for the future income tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax bases and for loss carry-forwards. Deferred income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the periods in which temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax laws or rates is included in earnings in the period that includes the enactment date. When realization of deferred income tax assets does not meet the more-likely-than-not criterion for recognition, a valuation allowance is provided.

Stock-based compensation

The Company grants stock options to employees and directors pursuant to a share incentive plan described in note 5. Compensation expense is recorded for issued stock options using the fair value method with a corresponding increase in additional paid-in capital. Any consideration received on the exercise of stock options is credited to share capital.

The fair value of stock options is measured at the grant date and amortized on a straight-line basis over the vesting period.

Warrants

The Company accounts for the warrants under the authoritative guidance on accounting for derivative financial instruments indexed to, and potentially settled in, a company's own stock, on the understanding that in compliance with applicable securities laws, the registered warrants require the issuance of registered securities upon exercise and do not sufficiently preclude an implied right to net cash settlement. The Company classifies warrants in its consolidated balance sheet as a liability which is revalued at each balance sheet date subsequent to the initial issuance. The Company uses the Black-Scholes pricing model to value the warrants. Determining the appropriate fair-value model and calculating the fair value of registered warrants requires considerable judgment. A small change in the estimates used may cause a relatively large change in the estimated valuation. The estimated volatility of the Company's common stock at the date of issuance, and at each subsequent reporting period, is based on historic fluctuations in the Company's stock price. The risk-free interest rate is based on the zero-coupon rate for bonds with a maturity similar to the expected remaining life of the warrants at the valuation date. The expected life of the warrants is based on the historical pattern of exercises of warrants.

Segment information

The Company operates in a single reporting segment, the research and development of RNA interference therapeutics. Substantially all of the Company's revenues to date were earned from customers or collaborators based in the United States. Substantially all of the Company's premises, property and equipment is located in Canada.

Recent accounting pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (FASB) or other standard setting bodies that are adopted by the Company as of the specified effective date. Unless otherwise discussed, we believe that the impact of recently issued standards that are not yet effective will not have a material impact on our financial position or results of operations upon adoption.

In December 2011, the FASB issued ASU 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. In January 2013, the FASB issued ASU-2013-01, *Balance Sheet: Clarifying the Scope and Disclosures about Offsetting Assets and Liabilities*, which narrows the scope of ASU 2011-011. These newly issued accounting standards requires an entity to disclose both gross and net information about instruments and transactions eligible for offset in the balance sheet as well as instruments and transactions executed under a master netting or similar arrangement and was issued to enable users of financial statements to understand the effects or potential effects of those arrangements on its balance sheet. This ASU is required to be applied retrospectively and is effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. As this accounting standard only requires enhanced disclosure, the adoption of this standard did not have an impact on the Company's financial position or statement of operations.

In February 2013, the FASB issued amendments to the accounting guidance for presentation of comprehensive income to improve the reporting of reclassifications out of accumulated other comprehensive income. The amendments do not change the current requirements for reporting net income or other comprehensive income, but do require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where the net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under GAAP that provide additional detail about these amounts. For public companies, these amendments are effective prospectively for reporting periods beginning after December 15, 2012. The adoption of this guidance did not impact our consolidated financial statements.

In July 2013, the FASB issued ASU 2013-11, Income Taxes (ASC 740) *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carry forward, a Similar Tax Loss, or a Tax Credit Carry forward Exists* (Update). The update is intended to eliminate the diversity in practice of the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The update is effective for annual and interim financial statements for fiscal years beginning after December 15, 2013. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted.

(Expressed in US dollars)

3. Collaborations, contracts and licensing agreements

The following tables set forth revenue recognized under collaborations, contracts and licensing agreements:

Revenue

	Year ended December 31		
	2013	2012	2011
Collaborations and contracts			
DoD (a)	**$ 9,805,556**	$ 11,536,101	$ 11,565,997
Alnylam (b)	**-**	9,719	4,191,295
BMS (c)	**525,527**	440,279	437,165
Other RNAi collaborators (d)	**93,486**	119,087	117,133
Total research and development collaborations and contracts	**10,424,569**	12,105,186	16,311,590
Licensing fees and milestone payments			
Alnylam milestone payments (b)	**5,000,000**	1,000,000	500,000
Spectrum payments (e)	**39,581**	1,000,000	-
Total licensing fees and milestone payments	**5,039,581**	2,000,000	500,000
Total revenue	**$ 15,464,150**	$ 14,105,186	$ 16,811,590

The following table sets forth deferred collaborations and contracts revenue:

	December 31, 2013	December 31, 2012
DoD (a)	**$ 1,655,028**	$ 1,388,970
BMS current portion (c)	**1,808,227**	1,754,610
Deferred revenue, current portion	**3,463,255**	3,143,580
BMS long-term portion (c)	-	722,445
Total deferred revenue	**$ 3,463,255**	$ 3,866,025

(a) Contract with United States Government's Department of Defense ("DoD") to develop TKM-Ebola

On July 14, 2010, the Company signed a contract with the DoD to advance TKM-Ebola, an RNAi therapeutic utilizing the Company's lipid nanoparticle technology to treat Ebola virus infection.

In the initial phase of the contract, funded as part of the Transformational Medical Technologies program, the Company is eligible to receive up to $34.7 million. This initial funding is for the development of TKM-Ebola including completion of preclinical development, filing an Investigational New Drug application with the United States Food and Drug Administration ("FDA") and completing a Phase 1 human safety clinical trial. On May 8, 2013, the Company announced that the contract had been modified to support development plans that integrate recent advancements in lipid nanoparticle ("LNP") formulation and manufacturing technologies. The contract modification increased the stage one targeted funding to $41.7 million.

The DoD has the option of extending the contract beyond the initial funding period to support the advancement of TKM-Ebola through to the completion of clinical development and FDA approval. Based on the contract's budget this would provide the Company with up to $140.0 million in funding for the entire program.

Under the contract, the Company is reimbursed for costs incurred, including an allocation of overhead costs, and is paid an incentive fee. At the beginning of the fiscal year the Company estimates its labour and overhead rates for the year ahead. At the end of the year the actual labour and overhead rates are calculated and revenue is adjusted accordingly. The Company's actual labour and overhead rates will differ from its estimated rates based on actual costs incurred and the proportion of the Company's efforts on contracts and internal products versus indirect activities. Within minimum and maximum collars, the amount of incentive fee the Company can earn under the contract varies based on costs incurred versus budgeted costs. During the contractual period, incentive fee revenue and total costs are impacted by management's estimate and judgments which are continuously reviewed and adjusted as necessary using the cumulative catch-up method. At December 31, 2012, the Company was not able to make a reliable estimate of the final contract costs, and only the minimum incentive fee achievable and earned was recognized. At December 31, 2013, the Company believes it can reliably estimate the final contract costs so has recognized the portion of expected incentive fee which has been earned to date.

On August 6, 2012, the Company announced that it had received a temporary stop-work order from the DoD in respect of this contract. On October 2, 2012, the Company announced that the stop-work order had been lifted and work on the contract resumed. On November 1, 2012, the Company submitted a contract modification request to the DoD in order to integrate recent advancements in the Company's formulation technology. The modification request is currently being negotiated while work is continuing on the contract.

(b) License and collaboration with Alnylam Pharmaceuticals, Inc. ("Alnylam")

License and Collaboration Agreement with Alnylam through Tekmira
On January 8, 2007, the Company entered into a licensing and collaboration agreement with Alnylam ("Alnylam License and Collaboration"), which was amended and restated in May 2008, giving them an exclusive license to certain of the Company's historical lipid nanoparticle intellectual property for the discovery, development, and commercialization of ribonucleic acid interference ("RNAi") therapeutics.

The Alnylam License and Collaboration was replaced by a new license agreement as part of the settlement, which is discussed below.

Cross-License with Alnylam acquired through Protiva

As a result of the acquisition of Protiva on May 30, 2008, the Company acquired a Cross-License Agreement between Protiva and Alnylam (the "Alnylam Cross-License"). Alnylam was granted a non-exclusive license to the Protiva intellectual property.

The Alnylam Cross-License was replaced by a new license agreement as part of the settlement, which is discussed below.

Manufacturing agreement with Alnylam

Under a manufacturing agreement with Alnylam (the "Alnylam Manufacturing Agreement") effective January 1, 2009, the Company was the exclusive manufacturer of any products required by Alnylam through to the end of Phase 2 clinical trials that utilize the Company's technology. Alnylam was paying the Company for the provision of staff and for external costs incurred. Time charged to Alnylam was at a fixed rate and under the Alnylam Manufacturing Agreement there was a contractual minimum for the provision of staff of $11,200,000 over the three year period ending December 31, 2011.

The Alnylam Manufacturing Agreement was terminated as part of the settlement which is discussed below.

Settlement of litigation with Alnylam and Acuitas Therapeutics Inc. ("Acuitas", formerly AlCana Technologies Inc.)

On March 16, 2011 the Company filed a complaint against Alnylam. On November 12, 2012, the Company entered into an agreement to settle all litigation between the Company and Alnylam and Acuitas (the "Settlement") and also entered into a new licensing agreement with Alnylam that replaces all earlier licensing, cross-licensing, collaboration, and manufacturing agreements. The Company entered into a separate cross license agreement with Acuitas which includes milestone and royalty payments and Acuitas has agreed not to compete in the RNAi field for five years. In conjunction with the Settlement, the Company paid Acuitas $300,000. The Company paid a further $1,500,000 upon the execution of the cross license agreement with Acuitas, in the year ended December 31, 2013.

As a result of the new Alnylam license agreement, on November 26, 2012, the Company received $65,000,000 in cash from Alnylam. This includes $30,000,000 associated with the termination of the manufacturing agreement and $35,000,000 associated with the termination of the previous license agreements, as well as a modification of the milestone and royalty schedules associated with Alnylam's ALN-VSP, ALN-PCS, and ALN-TTR programs. Under the settlement, Alnylam received license rights to the Company's patents that were filed, or that claim priority to a patent that was filed, before April 15, 2010. Alnylam does not have rights to the Company's patents filed after April 15, 2010 unless they claim priority to a patent filed before that date. In addition, Alnylam has transferred all agreed upon patents and patent applications related to lipid nanoparticle ("LNP") technology for the systemic delivery of RNAi therapeutic products, including the MC3 lipid family, to the Company, who will own and control prosecution of this intellectual property portfolio. The Company is the only entity able to sublicense its LNP intellectual property in future platform-type relationships. Alnylam has a license to use the Company's intellectual property to develop and commercialize products and may only grant access to the Company's LNP technology to its partners if it is part of a product sublicense. Alnylam will pay the Company milestones and royalties as Alnylam's LNP-enabled products are developed and commercialized.

The new licensing agreement with Alnylam also grants the Company intellectual property rights to develop its own proprietary RNAi therapeutics. Alnylam has granted the Company a worldwide license for the discovery, development and commercialization of RNAi products directed to thirteen gene targets – three exclusive and ten non-exclusive licenses – provided that they have not been committed by Alnylam to a third party or are not otherwise unavailable as a result of the exercise of a right of first refusal held by a third party or are part of an ongoing or planned development program of Alnylam. Licenses for five of the ten non-exclusive targets – ApoB, PLK1, Ebola, WEE1, and CSN5 – have already been granted, along with an additional license for ALDH2, which has been granted on an exclusive basis. In consideration for this license, the Company has agreed to pay single-digit royalties to Alnylam on product sales and have milestone obligations of up to $8,500,000 on the non-exclusive licenses (with the exception of TKM-Ebola, which has no milestone obligations). Alnylam no longer has "opt-in" rights to the Company's lead oncology product, TKM-PLK1, so the Company now holds all development and commercialization rights related TKM-PLK1. The Company will have no milestone obligations on the three exclusive licenses. As a result of the settlement of the litigation between the Company and Alnylam, $18,737,966 in a contingent obligation payment to Orrick, Herrington and Sutcliffe LLP ("Orrick"), lead legal counsel for the lawsuit against Alnylam and Acuitas, was paid out on December 10, 2012.

Milestone receipts and payments

In June 2012 the Company earned a $1,000,000 milestone from Alnylam in respect of the initiation of Alnylam's ALN-TTR02 Phase 2 human clinical trial.

In November 2013, Alnylam initiated a Phase III trial with ALN-TTR02, also known as patisiran, and the associated $5,000,000 development milestone was paid to the Company in December 2013.

In November 2013, the Company initiated Phase I/II clinical trial for TKM-PLK1, resulting in a milestone payment of $375,000 to Alnylam.

Arbitration with Alnylam and Ascletis Pharmaceuticals (Hangzhou) Co. Ltd. ("Ascletis")

On June 21, 2013, the Company transferred manufacturing process technology to Ascletis to enable them to produce ALN-VSP, a product candidate licensed to them by Alnylam. The Company believes that under the new licensing agreement with Alnylam, the technology transfer to Ascletis triggers a $5,000,000 milestone obligation from Alnylam to the Company. However, Alnylam has demanded a declaration that the Company has not yet met its milestone obligations. The Company disputes Alnylam's position. To remedy this dispute, the Company and Alnylam have commenced arbitration proceedings as provided for under the agreement. The Company has not recorded any revenue in respect of this milestone.

(c) Bristol-Myers Squibb ("BMS") collaboration

On May 10, 2010 the Company announced the expansion of its research collaboration with BMS. Under the new agreement, BMS uses small interfering RNA ("siRNA") molecules formulated by the Company in LNP technology to silence target genes of interest. BMS is conducting the preclinical work to validate the function of certain genes and share the data with the Company. The Company can use the preclinical data to develop RNAi therapeutic drugs against the therapeutic targets of interest. The Company received $3,000,000 from BMS concurrent with the signing of the agreement and recorded the amount as deferred revenue. The Company is required to provide a pre-determined number of LNP batches over the four-year agreement. BMS has a first right to negotiate a licensing agreement on certain RNAi products developed by the Company that evolve from BMS validated gene targets.

Revenue from the May 10, 2010 agreement with BMS is being recognized as the Company produces the related LNP batches.

As at December 31, 2013, the Company and BMS intend to extend the agreement's end date from May 10, 2014 to December 31, 2014. Extending the agreement will give BMS more time to order LNP batches. There will not be any monetary consideration for extending the agreement. Revenue recognized in 2013 has been reduced and the balance of deferred revenue as at December 31, 2013 has been increased to account for BMS, potentially, ordering more batches under the agreement.

(d) Other RNAi collaborators

The Company has active research agreements with a number of other RNAi collaborators.

(e) Agreements with Spectrum Pharmaceuticals, Inc. ("Spectrum")

On May 6, 2006, the Company signed a number of agreements with Talon Therapeutics, Inc. ("Talon", formerly Hana Biosciences, Inc.) including the grant of worldwide licenses (the "Talon License Agreement") for three of the Company's chemotherapy products, Marqibo®, Alocrest™ (Optisomal Vinorelbine) and Brakiva™ (Optisomal Topotecan).

(Expressed in US dollars)

On August 9, 2012, the Company announced that Talon had received accelerated approval for Marqibo from the FDA for the treatment of adult patients with Philadelphia chromosome negative acute lymphoblastic leukemia in second or greater relapse or whose disease has progressed following two or more anti-leukemia therapies. Marqibo is a liposomal formulation of the chemotherapy drug vincristine. In the year ended December 31, 2012, the Company received a milestone of $1,000,000 based on the FDA's approval of Marqibo and will receive royalty payments based on Marqibo's commercial sales. There are no further milestones related to Marqibo but the Company is eligible to receive total milestone payments of up to $18,000,000 on Alocrest and Brakiva.

Talon was acquired by Spectrum in July 2013. The acquisition does not affect the terms of the license between Talon and the Company.

On September 3, 2013, Spectrum announced that they had shipped the first commercial orders of Marqibo. In the year ended December 31, 2013, the Company recorded $39,581 in Marqibo royalty revenue (2012 - $nil, 2011 - $nil). In the year ended December 31, 2013, the Company accrued $990 in royalties due to TPC in respect of the Marqibo royalty earned by the Company (see note 8).

(f) License agreement with Merck & Co., Inc. ("Merck")

As a result of the acquisition of Protiva in 2008, the Company received a non-exclusive royalty-bearing world-wide license, of certain intellectual property acquired by Merck. Under the license, Merck will pay up to $17,000,000 in milestones for each product it develops using the acquired intellectual property, except for the first product for which Merck will pay up to $15,000,000 in milestones. Merck will also pay royalties on product sales. Merck's license rights are limited to patents that the Company filed, or that claim priority to a patent that was filed, before October 9, 2008. Merck does not have rights to patents filed by the Company after October 9, 2008 unless they claim priority to a patent filed before that date. The license agreement with Merck was entered into as part of a settlement of litigation between Protiva and a Merck subsidiary. No payments have been made under this license to date.

Merck has granted a license to the Company to certain of its intellectual property.

On January 12, 2014, Alnylam announced that they will be acquiring this license from Merck in which case this license agreement will transfer to Alnylam.

4. Property and equipment

December 31, 2013	Cost	Accumulated depreciation	Net book value
Lab equipment	$ 4,885,963	$ (4,678,976)	$ 206,987
Leashold improvements	5,592,312	(5,001,683)	$ 590,629
Computer hardware and software	1,991,927	(1,589,519)	$ 402,408
Furniture and fixtures	395,948	(395,416)	$ 532
Assets under construction	172,601	-	$ 172,601
	$ 13,038,751	$ (11,665,594)	$ 1,373,157

December 31, 2012	Cost	Accumulated depreciation	Net book value
Lab equipment	$ 5,136,975	$ (4,787,905)	$ 349,070
Leasehold improvements	5,978,338	(5,041,900)	936,438
Computer hardware and software	1,649,593	(1,585,288)	64,305
Furniture and fixtures	423,281	(421,363)	1,918
	$ 13,188,187	$ (11,836,456)	$ 1,351,731

As at December 31, 2013, all of the Company's property and equipment are currently in use and no impairment has been recorded.

(Expressed in US dollars)

5. Share capital

(a) Financing

On June 16, 2011, the Company completed a public offering of 1,789,900 units at a price of $2.88 (C$2.85) each for total gross proceeds, before expenses, of $5,160,934. Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of C$3.35. The warrants expire on June 15, 2016. After paying underwriter's commission and other unit issue costs, the offering generated net cash of $4,598,862. The total unit issuance cost of $562,072 has been allocated, on a pro-rata basis, as $481,135 to the shares and $80,937to the warrants and recorded, respectively, to share capital and warrant issuance costs in the consolidated statement of operations and comprehensive income (loss).

On the date of issuance, the Black-Scholes aggregate value of the 894,950 warrants was $751,505 based on an assumed risk-free interest rate of 2.19%, volatility of 40%, a zero dividend yield and an expected life of 5 years. The fair value of the warrants at issuance was initially recorded as a liability with the residual amount of proceeds allocated to share capital.

On February 29, 2012, the Company completed a private placement offering of 1,848,601 units at a price of $2.20 (C$2.20) each for total gross proceeds, before expenses, of $4,069,547. Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of C$2.60. The warrants expire on February 28, 2017. After paying brokerage fees and other unit issue costs, the offering generated net cash of $3,843,995. The total unit issuance cost of $225,551 has been allocated, on a pro-rata basis, as $178,521 to the shares and $47,030 to the warrants and recorded, respectively, to share capital and warrant issuance costs in the consolidated statement of operations and comprehensive income (loss).

On the date of issuance, the Black-Scholes aggregate value of the 924,302 warrants was $850,907 based on an assumed risk-free interest rate of 1.44%, volatility of 40%, a zero dividend yield and an expected life of 5 years. The fair value of the warrants at issuance was initially recorded as a liability with the residual amount of proceeds from the private placement being allocated to share capital.

On October 22, 2013, the Company announced that it had completed an underwritten public offering of 3,750,000 common shares, at a price of $8.00 per share, representing gross proceeds of $30,000,000. On November 1, 2013, the offering's underwriter completed the exercise of its over-allotment option to purchase a further 562,500 shares at $8.00 bringing the aggregate financing gross proceeds to $34,500,000. The cost of the financing, including commissions and professional fees, was $2,461,683, resulting in net proceeds of $32,038,317.

(b) Authorized share capital

The Company's authorized share capital consists of an unlimited number of common and preferred shares without par value.

(c) Warrants to purchase common shares

During the year ended December 31, 2013, there were 105,683 warrants exercised for $288,823 in cash (December 31, 2012 – 230,841 warrants for $632,282) and 468,000 warrants exercised using the cashless exercise provision in return for 199,765 common shares (December 31, 2012 – 54,545 warrants for 38,644 common shares).

A following table summarizes the Company's warrant activity for the years ended December 31, 2012 and 2013:

	Common shares purchasable upon exercise of warrants	Weighted average exercise price (C$)	Weighted average exercise price (US$)	Range of exercise prices (C$)	Range of exercise prices (US$)	Weighted average remaining contractual life (years)	Aggregate intrinsic value (C$)	Aggregate intrinsic value (US$)
Balance, December 31, 2011	949,495	$ 3.25	$ 3.20	$1.65 - $3.35	$1.62 - $3.29	4.6	$ -	$ -
Issued	924,302	$ 2.60	$ 2.61	$2.60	$2.61			
Exercised	(285,386)	$ 2.53	$ 2.54	$1.65 - $3.35	$1.66 - $3.37			
Balance, December 31, 2012	1,588,411	$ 3.00	$ 3.02	$2.50 - $3.35	$2.51 - $3.37	3.8	3,140,893	3,156,912
Issued	-	-	-	-	-			
Exercised	(573,683)	$ 3.19	$ 3.00	$2.60 - $3.35	$2.44 - $3.15			-
Balance, December 31, 2013	1,014,728	$ 2.90	$ 2.72	$2.60 - $3.35	$2.44 - $3.15	2.7	$ 5,635,446	$ 5,298,447

(Expressed in US dollars)

The aggregate intrinsic value in the table above is calculated based on the difference between the exercise price of the warrants and the quoted price of the Company's common stock as of the reporting date.

All of the Company's warrants were exercisable as of December 31, 2013.

The weighted average Black-Scholes option-pricing assumptions and the resultant fair values are as follows for warrants outstanding at December 31, 2013 and 2012 are as follows:

	Year ended December 31	
	2013	2012
Dividend yield	**0.00%**	0.00%
Expected volatility	**47.03%**	40.00%
Risk-free interest rate	**1.13%**	1.28%
Expected average term (years)	**1.6**	3.8
Fair value of warrants outstanding	**$ 5.30**	$ 2.51
Aggregate fair value of warrants outstanding	**$ 5,378,722**	$ 4,014,821

The value of the Company's warrants is particularly sensitive to changes in the Company's share price and the estimated rate of share price volatility. Based on changes in the Company's business and general stock market conditions since the warrants were issued in 2011 and 2012, in 2013, the Company undertook a review of its warrant fair value assumptions. The previous assumption for warrant expected life was the warrant's remaining contractual term. Based on the pattern of exercises of the warrants the Company has now reduced the expected life to a weighted average of 1.6 years as of December 31, 2013. The previous assumption for expected volatility in respect of the warrants was 40%. The Company is now calculating volatility based on historic share price fluctuations, which, at December 31, 2013, gave a weighted average expected volatility of 47.03%. The reduction in expected life has the effect of reducing the fair value of the warrants, whereas, the increase in expected volatility increases the fair value of the warrants.

(e) Stock-based compensation

The Company has three share-based compensation plans; the "2007 Plan", the "2011 Plan" and the "Protiva Option Plan".

On June 22, 2011, the shareholders of the Company approved an omnibus stock-based compensation plan (the "2011 Plan") and a 273,889 increase in the number of stock-based compensation awards that the Company is permitted to issue. The Company's pre-existing 2007 Plan was limited to the granting of stock options as equity incentive awards whereas the 2011 Plan also allows for the issuance of tandem stock appreciation rights, restricted stock units and deferred stock units (collectively, and including options, referred to as "Awards"). The 2011 Plan replaces the 2007 Plan. The 2007 Plan will continue to govern the options granted thereunder. No further options will be granted under the Company's 2007 Plan.

Under the Company's 2007 Plan the Board of Directors granted options to employees, directors and consultants of the Company. The exercise price of the options was determined by the Company's Board of Directors but was always at least equal to the closing market price of the common shares on the day preceding the date of grant and the term of options granted did not exceed 10 years. The options granted generally vested over three years for employees and immediately for directors.

Under the Company's 2011 Plan the Board of Directors may grant options, and other types of Awards, to employees, directors and consultants of the Company. The exercise price of the options is determined by the Company's Board of Directors but will be at least equal to the closing market price of the common shares on the day preceding the date of grant and the term may not exceed 10 years. Options granted generally vest over three years for employees and immediately for directors.

Hereafter, information on options governed by the 2007 Plan and 2011 Plan is presented on a consolidated basis as the terms of the two plans are similar. Information on the Protiva Option Plan is presented separately.

On June 20, 2012, the shareholders of the Company approved a 550,726 increase in the number of stock-based compensation awards that the Company is permitted to issue.

(Expressed in US dollars)

Stock option activity for the Company's 2007 Plan and 2011 Plan

	Number of optioned common shares	Weighted average exercise price (C$)	Weighted average exercise price (US$)	Aggregate intrinsic value (C$)	Aggregate intrinsic value (US$)
Balance, December 31, 2010	1,083,432	$ 7.95	$ 7.72	$ 756,628	$ 734,881
Options granted	403,100	$ 2.14	$ 2.17		
Options exercised	(1,667)	$ 1.50	$ 1.52	$ 1,330	$ 1,346
Options forfeited, cancelled or expired	(71,547)	$ 27.42	$ 27.74		
Balance, December 31, 2011	1,413,318	$ 5.32	$ 5.38	$ 1,800	$ 1,821
Options granted	326,300	$ 4.16	$ 4.16		
Options exercised	(28,417)	$ 2.34	$ 2.34	$ 81,545	$ 81,598
Options forfeited, cancelled or expired	(62,355)	$ 21.27	$ 21.29		
Balance, December 31, 2012	1,648,846	$ 4.54	$ 4.54	$ 2,299,512	$ 2,300,996
Options granted	270,250	$ 7.52	$ 7.30		
Options exercised	(124,246)	$ 3.22	$ 3.13	$ 551,385	$ 535,369
Options forfeited, cancelled or expired	(64,085)	$ 21.87	$ 21.23		
Balance, December 31, 2013	1,730,765	$ 4.45	$ 4.32	$ 7,029,795	$ 6,825,608

Options under the 2007 Plan and 2011 Plan expire at various dates from December 14, 2014 to December 5, 2023.

The following table summarizes information pertaining to stock options outstanding at December 31, 2013 under the Company's 2007 Plan and 2011 Plan:

	Options outstanding December 31, 2013				Options exercisable December 31, 2013		
Range of Exercise prices	Number of options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (C$)	Weighted average exercise price (US$)	Number of options exercisable	Weighted average exercise price (C$)	Weighted average exercise price (US$)
$1.50 to $1.90	261,475	6.7	$ 1.71	$ 1.66	236,475	$ 1.71	$ 1.66
$2.10 to $2.60	279,000	7.7	$ 2.32	$ 2.25	236,175	$ 2.35	$ 2.28
$3.00 to $3.10	108,979	2.2	$ 3.04	$ 2.95	108,979	$ 3.04	$ 2.95
$3.73 to $3.85	153,250	6.1	$ 3.84	$ 3.73	150,650	$ 3.85	$ 3.74
$4.38 to $4.54	21,250	9.2	$ 4.53	$ 4.40	5,313	$ 4.53	$ 4.40
$4.65 to $5.60	576,846	6.2	$ 5.25	$ 5.10	474,909	$ 5.27	$ 5.12
$5.69 to $11.60	329,965	7.6	$ 7.79	$ 7.56	164,590	$ 7.45	$ 7.23
$1.50 to $11.60	1,730,765	6.6	$ 4.45	$ 4.32	1,377,091	$ 4.08	$ 3.96

At December 31, 2013, there were 1,377,091 options exercisable (December 31, 2012 – 1,315,155; December 31, 2011 - 1,015,224) with a weighted average exercise price of $3.96 (C$4.08). The weighted average remaining contractual life of exercisable options as at December 31, 2013 was 5.9 years. The aggregate intrinsic value of options exercisable at December 31, 2013 was $5,869,668.

(Expressed in US dollars)

A summary of the Company's non-vested stock option activity and related information for the year ended December 31, 2013 is as follows:

	Number of optioned common shares	Weighted average fair value (C$)	Weighted average fair value (US$)
Non-vested at December 31, 2012	333,691	$ 3.38	$ 3.38
Options granted	270,250	$ 7.52	7.30
Options vested	(219,966)	$ 4.47	4.34
Non-vested options forfeited	(30,300)	$ 3.74	3.63
Non-vested at December 31, 2013	353,675	$ 5.44	$ 5.28

The weighted average remaining contractual life for options expected to vest at December 31, 2013 was 9.2 years and the weighted average exercise price for these options was $5.73 (C$5.90) per share.

The aggregate intrinsic value of options expected to vest as at December 31, 2013 was $942,918 (December 31, 2012 - $450,620; December 31, 2011 - $nil).

The total fair value of options that vested during the year ended December 31, 2013 was $954,534 (2012 - $1,071,240; 2011 - $355,657).

Valuation assumptions for the Company's 2007 Plan and 2011 Plan

The fair value of stock options at date of grant, based on the following assumptions, was estimated using the Black-Scholes option-pricing model. Assumptions on the dividend yield are based on the fact that the Company has never paid cash dividends and has no present intention to pay cash dividends. Assumptions about the Company's expected stock-price volatility are based on the historical volatility of the Company's publicly traded stock. The risk-free interest rate used for each grant is equal to the zero coupon rate for instruments with a similar expected life. Expected life assumptions are based on the Company's historical data. The Company currently expects, based on an analysis of its historical forfeitures, that approximately 98% of its options issued will ultimately vest, and has applied a forfeiture rate of 2.0% to all unvested options held as of December 31, 2013. The Company will record additional expense if the actual forfeitures are lower than estimated and will record a recovery of prior expense if the actual forfeitures are higher than estimated. The weighted average option pricing assumptions and the resultant fair values are as follows:

	Year ended December 31		
	2013	2012	2011
Dividend yield	**0.00%**	0.00%	0.00%
Expected volatility	**111.61%**	120.40%	116.26%
Risk-free interest rate	**2.39%**	1.56%	2.51%
Expected average option term (years)	**9.6**	8.2	9.6
Fair value of options granted (C$)	**$ 6.96**	$ 3.83	$ 2.00

(Expressed in US dollars)

Stock-based compensation expense for the Company's 2007 Plan and 2011 Plan

An expense for stock-based compensation for options awarded to employees and calculated in accordance with the fair value method has been recorded in the consolidated statement of operations and comprehensive income (loss) as follows:

	Year ended December 31		
	2013	2012	2011
Research, development, collaborations and contracts expenses	**$ 621,807**	$ 772,367	$ 500,425
General and administrative expenses	**281,198**	209,923	133,024
Total	**$ 903,005**	$ 982,290	$ 633,449

At December 31, 2013, there remains $1,619,451 of unearned compensation expense related to unvested employee stock options to be recognized as expense over a weighted-average period of approximately 15 months.

Protiva Option Plan

On May 30, 2008, as a condition of the acquisition of Protiva Biotherapeutics Inc., a total of 350,457 common shares of the Company were reserved for the exercise of 519,073 Protiva share options ("Protiva Options"). The Protiva Options have an exercise price of C$0.30, were fully vested and exercisable as of May 30, 2008, expire at various dates from February 4, 2014 to March 1, 2018 and upon exercise each option will be converted into approximately 0.6752 shares of the Company (the same ratio at which Protiva common shares were exchanged for Company common shares at completion of the acquisition of Protiva). The Protiva Options are not part of the Company's 2007 Plan or 2011 Plan and the Company is not permitted to grant any further Protiva Options.

The following table sets forth outstanding options under the Protiva Option Plan:

	Number of Protiva Options	Equivalent number of Company common shares	Weighted average exercise price (C$)	Weighted average exercise price (US$)
Balance, December 31, 2010	518,223	349,883	0.30	0.30
Options exercised	(27,202)	(18,366)	0.30	0.30
Options forfeited, cancelled or expired	-	-	-	-
Balance, December 31, 2011	491,020	331,517	0.30	0.30
Options exercised	(15,135)	(10,218)	0.30	0.30
Options forfeited, cancelled or expired	-	-	-	-
Balance, December 31, 2012	475,885	321,299	$ 0.30	$ 0.30
Options exercised	(2,000)	(1,350)	0.30	0.29
Options forfeited, cancelled or expired	(1,000)	(675)	0.30	0.29
Balance, December 31, 2013	472,885	319,274	0.30	0.29

The weighted average remaining contractual life of exercisable Protiva Options as at December 31, 2013 was 2.1 years.

The aggregate intrinsic value of Protiva Options outstanding at December 31, 2013 was $3,866,368. The intrinsic value of Protiva Options exercised in the year ended December 31, 2013 was $8,265 (2012 - $18,941; 2011 - $43,114).

Awards outstanding and available for issuance

Combining all of the Company's share-based compensation plans, at December 31, 2013, the Company has 2,050,039 options outstanding and a further 216,523 Awards available for issuance.

6. Government grants and refundable investment tax credits

Government grants and refundable investment tax credits have been recorded as a reduction in research and development expenses.

Government grants for the year ended December 31, 2013 include $68,633 in funding from the U.S. National Institutes of Health (2012 - $274,254; 2011 - $344,744).

(Expressed in US dollars)

The Company's estimated claim for refundable Scientific Research and Experimental Development investment tax credits for the year ended December 31, 2013 is $42,804 (2012 - $nil; 2011 - $21,150).

7. Income taxes

Income tax (recovery) expense varies from the amounts that would be computed by applying the combined Canadian federal and provincial income tax rate of 17.7% (year ended December 31, 2012 – 17.5%; December 31, 2011 – 26.5%) to the loss before income taxes as shown in the following tables:

	Year ended December 31		
	2013	2012	2011
Computed taxes (recoveries) at Canadian federal and provincial tax rates	**$ (2,380,267)**	$ 7,486,268	$ (2,589,310)
Differences due to change in enacted tax rates	**(5,723)**	780,963	700,342
Difference due to change in tax rate on opening deferred taxes	**-**	2,636,377	3,369,825
Permanent and other differences	**1,820,842**	2,202,291	141,587
Change in valuation allowance	**565,147**	(2,515,765)	(1,622,445)
Utilization of investment tax credits	**-**	(10,590,133)	-
Income tax (recovery) expense	**$ -**	**$ -**	$ -

As at December 31, 2013, the Company has investment tax credits available to reduce Canadian federal income taxes of $6,859,352 (December 31, 2012 - $5,891,094) and provincial income taxes of $2,431,691 (December 31, 2012 - $1,914,623) and expiring between 2014 and 2033.

At December 31, 2013, the Company has scientific research and experimental development expenditures of $49,906,852 (December 31, 2012 - $48,357,146) available for indefinite carry-forward and $24,526,593 (December 31, 2012 - $21,457,451) of net operating losses due to expire between 2028 and 2033 and which can be used to offset future taxable income in Canada.

On November 23, 2011, the Company was registered as a corporation under the Business Activity Act in the province of British Columbia. Under this program, provincial corporation tax charged on foreign income earned from the Company's patents will be eligible for a 75% tax refund up to a maximum of C$8,000,000. Significant components of the Company's deferred tax assets are shown below:

	Year ended December 31	
	2013	2012
Deferred tax assets:		
Non-capital loss carryforwards	**$ 4,354,066**	$ 4,561,144
Research and development deductions	**8,858,564**	8,583,554
Book amortization in excess of tax	**2,170,922**	1,934,818
Share issue costs	**(136,329)**	(26,133)
Revenue recognized for tax purposes in excess of revenue recognized for accounting purposes	**667,542**	-
Tax value in excess of accounting value in lease inducements	**(2,821)**	8,041
Accounting value in excess of tax value in intangible assets	**-**	372,892
Provincial investment tax credits	**392,063**	304,545
Total deferred tax assets	**16,304,008**	15,738,861
Valuation allowance	**(16,304,008)**	(15,738,861)
Net deferred tax assets	**$ -**	$ -

8. Contingencies and commitments

Property lease

Effective July 29, 2009 the Company signed an amendment to the operating lease for its laboratory and office premises. The amended lease expires in July 2014 but the Company has the option to extend the lease to 2017 and then to 2022 and then to 2027. The amended lease included a signing incentive payment. In accordance with the Company's accounting policy the signing incentive payment is being amortized on a straight-line basis over the term of the amended lease.

The minimum commitment for rent and estimated operating costs for the year ended December 31, 2014 is $705,150.

The Company's lease expense, for the year ended December 31, 2013 of $1,224,794 has been recorded in the consolidated statements of operations and comprehensive income (loss) (2012 - $937,365; 2011 - $944,457).

The Company has netted $nil of sub-lease income against lease expense in the year ended December 31, 2013 (2012 - $172,034; 2011 - $196,555).

Product development partnership with the Canadian Government

The Company entered into a Technology Partnerships Canada ("TPC") agreement with the Canadian Federal Government on November 12, 1999. Under this agreement, TPC agreed to fund 27% of the costs incurred by the Company, prior to March 31, 2004, in the development of certain oligonucleotide product candidates up to a maximum contribution from TPC of $7,179,170 (C$9,329,912). As at December 31, 2013, a cumulative contribution of $3,480,217 (C$3,701,571) has been received and the Company does not expect any further funding under this agreement. In return for the funding provided by TPC, the Company agreed to pay royalties on the share of future licensing and product revenue, if any, that is received by the Company on certain non-siRNA oligonucleotide product candidates covered by the funding under the agreement. These royalties are payable until a certain cumulative payment amount is achieved or until a pre-specified date. In addition, until a cumulative amount equal to the funding actually received under the agreement has been paid to TPC, the Company agreed to pay 2.5% royalties on any royalties the Company receives for Marqibo. For the year-ended December 31, 2013, the Company earned royalties on Marqibo sales in the amount of $39,581 (see note 3(e)), resulting in $990 recorded by the Company as royalty payable to TPC.

Contingently payable promissory notes

On March 25, 2008, Protiva declared dividends totaling $12,000,000. The dividends were paid by Protiva issuing promissory notes on May 23, 2008. Recourse against Protiva for payment of the promissory notes will be limited to Protiva's receipt, if any, of up to $12,000,000 in license payments from Merck (see note 3(f)). Protiva will pay these funds if and when it receives them, to the former Protiva shareholders in satisfaction of the promissory notes. As contingent items the $12,000,000 receivable and the related promissory notes payable are not recorded in the Company's consolidated balance sheet.

License and collaboration agreement with Halo-Bio RNAi Therapeutics, Inc. ("Halo-Bio")

On August 24, 2011, the Company entered into a license and collaboration agreement with Halo-Bio. Under the agreement, Halo-Bio granted the Company an exclusive license to its multivalent ribonucleic acid ("MV-RNA") technology. The agreement provides for the companies to work together to design and develop MV-RNA molecules to gene targets of interest to the Company and to combine MV-RNA molecules with the Company's LNP technology to develop therapeutic products.

The Company paid Halo-Bio an initial license fee of $100,000 and recorded this amount as a research, development, collaborations and contracts expense in the year ended December 31, 2011.

The agreement was amended on August 8, 2012 to adjust the future license fees and other contingent payments. The Company recorded a further $450,000 in license fees to research, development, collaborations and contracts expense in the year ended December 31, 2012, in respect of the agreement.

The Company terminated the agreement with Halo-Bio on July 31, 2013. There are no further payments due or contingently payable to Halo-Bio.

License agreement with Marina Biotech, Inc. ("Marina")

On November 29, 2012 the Company announced a worldwide, non-exclusive license to a novel RNAi payload technology called Unlocked Nucleobase Analog ("UNA") from Marina for the development of RNAi therapeutics.

UNA technology can be used in the development of RNAi therapeutics, which treat disease by silencing specific disease causing genes. UNAs can be incorporated into RNAi drugs and have the potential to improve them by increasing their stability and reducing off-target effects.

Under the license agreement the Company paid Marina an upfront fee of $300,000. A further license payment of $200,000 was paid in 2013 and the Company will make milestone payments of up to $3,250,000 and royalties on each product developed by the Company that uses Marina's UNA technology. The payments to Marina are expensed to research, development, collaborations and contracts expense.

Effective August 9, 2013, Marina's UNA technology was acquired by Arcturus Therapeutics, Inc. ("Arcturus") and the UNA license agreement between the Company and Marina was assigned to Arcturus. The terms of the license are otherwise unchanged.

The Company believes that it is probable they will use Arcturus's UNA technology for one of its product candidates in the foreseeable future.

9. Concentrations of business risk

Credit risk

Credit risk is defined by the Company as an unexpected loss in cash and earnings if a collaborative partner is unable to pay its obligations in due time. The Company's main source of credit risk is related to its accounts receivable balance which principally represents temporary financing provided to collaborative partners in the normal course of operations.

The Company does not currently maintain a provision for bad debts as the majority of accounts receivable are from collaborative partners or government agencies and are considered low risk.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at December 31, 2013 was the accounts receivable balance of $116,556 (December 31, 2012 - $1,074,891).

All accounts receivable balances were current as at December 31, 2013 and December 31, 2012.

Significant collaborators and customers risk

We depend on a small number of collaborators and customers for a significant portion of our revenues (see note 3).

Liquidity Risk

Liquidity risk results from the Company's potential inability to meet its financial liabilities, for example payments to suppliers. The Company ensures sufficient liquidity through the management of net working capital and cash balances.

The Company's liquidity risk is primarily attributable to its cash and cash equivalents. The Company limits exposure to liquidity risk on its liquid assets through maintaining its cash and cash equivalent deposits with high-credit quality financial institutions. Due to the nature of these investments, the funds are available on demand to provide optimal financial flexibility.

The Company believes that its current sources of liquidity are sufficient to cover its likely applicable short term cash obligations. The Company's financial obligations include accounts payable and accrued liabilities which generally fall due within 45 days.

The net liquidity of the Company is considered to be the cash and cash equivalents less accounts payable and accrued liabilities

	December 31, 2013	December 31, 2012
Cash, cash equivalents and short term investments	**$ 68,716,531**	$ 47,024,124
Less: Accounts payable and accrued liabilities	**(3,680,462)**	(3,795,546)
	$ 65,036,069	$ 43,228,578

Foreign currency risk

For the year-ended December 31, 2013, the Company has converted its reporting currency to the US dollar, and the Company's functional currency remains as the Canadian dollar (note 2). The results of the Company's operations are subject to currency transaction and translation risk as the Company's revenues and expenses are denominated in both Canadian and US dollars. The fluctuation of the US dollar in relation to the Canadian dollar will consequently have an impact upon the Company's income or loss and may also affect the value of the Company's assets, liabilities, and the amount of shareholders' equity both as recorded in the Company's financial statements, in the Canadian functional currency, and as reported, for presentation purposes, in the US dollar.

The Company manages its US dollar exchange rate risk by, whenever possible, using cash received from US dollar revenues and financing to pay US dollar expenses. Prior to the financing in October 2013 (note 5(a)), which was denominated in US dollars, the Company's policy was to convert all but a working capital level of US dollars into Canadian dollars. Given the Company's increasing level of US dollar expenses, the Company maintained the funds raised in October 2013 in US dollars in order to achieve a natural foreign exchange hedge.

In November 2012, the Company used a forward exchange contract to convert US$45,000,000 into Canadian dollars. The Company has not entered into any other agreements or purchased any instruments to hedge possible currency risks. The Company's exposure to US dollar currency expressed in Canadian dollars was as follows:

(in C$)	**December 31, 2013**	December 31, 2012
Cash and cash equivalents	**$ 38,900,944**	$ 149,058
Accounts receivable	**10,840**	1,025,306
Accrued revenue	**225,892**	2,361,836
Accounts payable and accrued liabilities	**(1,889,480)**	(2,969,454)
	$ 37,248,196	$ 566,746

An analysis of the Company's sensitivity to foreign currency exchange rate movements is not provided in these financial statements as the Company's US dollar cash holdings and expected US dollar revenues are sufficient to cover US dollar expenses for the foreseeable future.

10. Supplementary information

Accounts payable and accrued liabilities is comprised of the following:

	December 31, 2013	December 31, 2012
Trade accounts payable	**$ 1,217,242**	$ 805,790
Research and development accruals	**1,404,905**	310,492
License fee accruals	**-**	1,649,957
Professional fee accruals	**247,148**	602,113
Deferred lease inducements	**16,454**	48,078
Other accrued liabilities	**794,713**	379,116
	$ 3,680,462	$ 3,795,546

11. Subsequent events

Option and Services Agreements with Monsanto Company ("Monsanto")

On January 13, 2014, the Company and Monsanto signed an Option Agreement and a Services Agreement (together, the "Agreements"). Under the Agreements, Monsanto may obtain a license to use the Company's proprietary delivery technology and related intellectual property for use in agriculture. Over the option period, which is expected to be approximately four years, the Company will provide lipid formulations for Monsanto's research and development activities, and Monsanto will make certain payments to the Company to maintain its option rights. The maximum potential value of the transaction is $86,200,000 following the successful completion of milestones. In January 2014, the Company received $14,500,000 of the $16,500,000 near term payments as outlined in the terms of the Agreements.

At any time during the option period, Monsanto may choose to exercise its option, in which case Monsanto would pay the Company an option exercise fee and would receive a worldwide, exclusive right to use the Company's proprietary delivery technology in the field of agriculture. Monsanto may elect to terminate this option at their discretion. The Company retains all rights to therapeutics uses of all current intellectual property and intellectual property developed under the Agreements.

(Expressed in US dollars)

Base shelf prospectus

On February 28, 2014, the Company filed a short form base shelf prospectus with securities regulatory authorities in Canada, other than Quebec, and a corresponding shelf registration statement with the United States Securities and Exchange Commission on Form F-10.

The base shelf registration statement provides for the potential of offering, in Canada and the United States, up to $150,000,000 of Tekmira's common shares, warrants to purchase common shares and/or units comprising any combination of the foregoing from time to time over the next 25 months.

12. Interim financial data (unaudited)

	2013				
	Q1	Q2	Q3	Q4	**Total**
Revenue	2,131,519	2,843,806	2,962,809	7,526,016	**15,464,150**
Loss from operations	(2,993,811)	(3,070,968)	(3,652,191)	(2,436,248)	**(12,153,218)**
Net loss	(2,546,244)	(3,014,928)	(5,905,923)	(2,597,131)	**(14,064,226)**
Basic and diluted net loss per share	$ (0.18)	$ (0.21)	$ (0.41)	$ (0.15)	**$ (0.92)**

	2012				
	Q1	Q2	Q3	Q4	**Total**
Revenue	3,586,970	3,643,296	3,067,593	3,807,327	**14,105,186**
Loss from operations	(2,651,931)	(2,599,027)	(1,784,666)	(5,908,924)	**(12,944,548)**
Net (loss) income	(3,180,259)	(1,935,761)	(3,457,600)	38,185,616	**29,611,996**
Basic net (loss) income per share	$ (0.25)	$ (0.14)	$ (0.25)	$ 2.72	**$ 2.16**
Diluted net (loss) income per share	$ (0.25)	$ (0.14)	$ (0.25)	$ 2.51	**$ 2.07**

TEKMIRA PHARMACEUTICALS CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND OPERATIONS

March 6, 2014 / *This management discussion and analysis (MD&A) for the year ended December 31, 2013 should be read in conjunction with the audited consolidated financial statements and related notes for the year ended December 31, 2013. We have prepared this MD&A with reference to National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators. Under the United States/Canada Multijurisdictional Disclosure System, we are permitted to prepare this MD&A in accordance with the disclosure requirements of Canada, which are different from those of the United States. This MD&A and our consolidated financial statements are prepared in accordance with generally accepted accounting principles used in the United States of America (U.S. GAAP). Unless the context otherwise requires, all references to "Tekmira," the "Company," "we," "us," and "our" refer to Tekmira Pharmaceuticals Corporation, including all of its subsidiaries. Additional information relating to Tekmira is available at the SEDAR website at www.sedar.com or the EDGAR website at www.sec.gov/edgar.*

FORWARD-LOOKING STATEMENTS

This discussion and analysis contains "forward-looking statements" or "forward-looking information" within the meaning of applicable securities laws (collectively, "forward-looking statements"). Forward-looking statements in this MD&A include statements about Tekmira's strategy, future operations, clinical trials, prospects and the plans of management; RNAi (ribonucleic acid interference) product development programs; the effects of Tekmira's products on the treatment of cancer, chronic Hepatitis B infection, infectious disease, alcohol use disorder, and other diseases; Gastrointestinal Neuroendocrine Tumors (GI-NET) or Adrenocortical Carcinoma (ACC) enrollment in a Phase I/II clinical trial with TKM-PLK1, and expected interim data from this trial in the second half of 2014; completion of the necessary preclinical work to be in a position to file an Investigational New Drug (IND) application in the second half of 2014 in order to advance TKM-HBV into a Phase I clinical trial, with data available in 2015; the development of TKM-Ebola under the "Animal Rule"; additional funding opportunities for TKM-Marburg; completion of necessary preclinical work to be in a position to file an IND in the second half of 2014 in order to advance TKM-ALDH2 into a Phase I clinical trial; potential government funding sources for new therapeutic strategies for alcohol use disorder and Tekmira's exploration and leveraging of these partnership opportunities; the generation of data and the expectation of identifying another development candidate in 2014; the potential quantum of value of the transactions contemplated in the Monsanto option agreement; arbitration proceedings with Alnylam Pharmaceuticals, Inc. (Alnylam) in connection with ALN-VSP; ongoing advances in next-generation LNP technologies; anticipated royalty receipts based on sales of Marqibo; statements with respect to revenue and expense fluctuation and guidance; the quantum and timing of potential funding.

With respect to the forward-looking statements contained in this MD&A, Tekmira has made numerous assumptions regarding, among other things: LNP's status as a leading RNAi delivery technology; Tekmira's research and development capabilities and resources; the effectiveness of Tekmira's products as a treatment for cancer, chronic Hepatitis B infection, infectious disease, alcohol use disorder, or other diseases; the timing and obtaining of regulatory approvals for the clinical development of Tekmira's products; the use of LNP technology by Tekmira's development partners and licensees and subsequent timing and results of clinical data releases; the time required to complete research and product development activities; the timing and quantum of payments to be received under contracts with Tekmira's partners including Alnylam, Spectrum, Monsanto and the DoD; Tekmira's financial position and its ability to execute its business strategy; and Tekmira's ability to protect its intellectual property rights and not to infringe on the intellectual property rights of others. While Tekmira considers these assumptions to be reasonable, these assumptions are inherently subject to significant business, economic, competitive, market and social uncertainties and contingencies.

Additionally, there are known and unknown risk factors which could cause Tekmira's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements contained herein. Known risk factors include, among others: Tekmira's products may not prove to be effective or as potent as currently believed; there may be no further advancements in next-generation LNP technologies; anticipated studies and submissions to the FDA may not occur as currently anticipated, or at all; the FDA may decide that TKM-Ebola "Animal Rule" data is insufficient for approval and require additional pre-clinical, clinical or other studies, refuse to approve TKM-Ebola, or place restrictions on its ability to commercialize TKM-Ebola; completion of preclinical work and IND applications may not occur as currently anticipated, or at all; Tekmira may never identify another product development candidate; Tekmira may not obtain and protect intellectual property rights, and operate without infringing on the intellectual property rights of others; Tekmira may face competition from other pharmaceutical or biotechnology companies and the possibility that other organizations have made advancements in RNAi delivery technology that Tekmira is not aware of; anticipated pre-clinical and clinical trials may be more costly or take longer to complete than anticipated, and may never be initiated or completed, or may not generate results that warrant future development of the tested drug candidate; Tekmira may not receive the necessary regulatory approvals for the clinical development of Tekmira's products; Tekmira may lose the arbitration proceedings with Alnylam in connection with ALN-VSP; Tekmira's development partners and licensees conducting clinical trial, development programs and joint venture strategic alliances may not result in expected results on a timely basis, or at all; anticipated payments under contracts with Tekmira's collaborative partners may not be received by Tekmira on a timely basis, or at all, or in the quantum expected by Tekmira; payments received from third parties may not be sufficient to fund Tekmira's continued business plan as currently anticipated; future operating results are uncertain and likely to fluctuate; Tekmira may not be able to raise additional financing required to fund further research and development, clinical studies, and obtain regulatory approvals, on commercially acceptable terms or at all; economic and capital market conditions; and Tekmira may become subject to product liability or other legal claims for which Tekmira has made no accrual in its financial statements.

A more complete discussion of the risks and uncertainties facing Tekmira appears in Tekmira's continuous disclosure filings, which are available at www.sedar.com or at www.sec.gov/edgar.shtml. All forward-looking statements herein are qualified in their entirety by this cautionary statement, and Tekmira disclaims any obligation to revise or update any such forward-looking statements or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments, except as required by law.

Change in reporting currency

Our functional currency is the Canadian dollar. However, most of our competitors, and a large proportion of our investors, are based in the United States. To achieve greater comparability with our competitors' financial information and improve the understandability of our financial information for our U.S. investors, effective December 31, 2013, we are using United States dollars as our reporting currency. All assets and liabilities are translated using the exchange rate at the balance sheet date. Revenues, expenses and other income (losses) are translated using the average rate for the period, except for large transactions, which are translated at the exchange rate on the date of the transaction. As a result of the change in reporting currency, we are reporting an accumulated other comprehensive loss of $15.8 million as at December 31, 2013 (2012 - $12.7 million; 2011 – $13.2 million) in our statements of operations and comprehensive income (loss). As the translation differences from our functional currency of Canadian dollars to our reporting currency of U.S. dollars are unrealized gains and losses, the differences are recorded in other comprehensive income, and do not impact the calculation of income or loss per share. All dollar amounts in this MD&A are U.S. dollars unless otherwise stated.

OVERVIEW

Tekmira is a biopharmaceutical company focused on developing and advancing novel RNA interference therapeutics, as well as pursuing partnering opportunities for its leading lipid nanoparticle (LNP) delivery technology. RNAi has the potential to generate a broad new class of therapeutics that take advantage of the body's own natural processes to silence genes—or more specifically to eliminate specific gene-products, from the cell. With this ability to eliminate disease causing proteins from cells, RNAi products represent opportunities for therapeutic intervention that have not been achievable with conventional drugs. Delivery technology is crucial in order to protect RNAi drugs in the blood stream following administration, allow efficient delivery to the target cells, and facilitate cellular uptake and release into the cytoplasm of the cell. Tekmira's LNP technology represents the most widely adopted delivery technology in RNAi, enabling eight clinical trials and administered to well over 200 patients to date. Because LNP can enable a wide variety of nucleic acid payloads, including messenger RNA, we continue to see new product development and partnering opportunities based on our industry-leading delivery expertise.

Our Product Candidates

With both oncology and anti-viral product platforms, we are advancing our RNAi product pipeline with a focus on areas where there is a significant unmet medical need and commercial opportunity.

TKM-PLK1

Our oncology product platform, TKM-PLK1, targets polo-like kinase 1 (PLK1), a protein involved in tumor cell proliferation and a validated oncology target. Inhibition of PLK1 expression prevents the tumor cell from completing cell division, resulting in cell cycle arrest and death of the cancer cell. Evidence that patients with elevated levels of PLK1 in their tumors exhibit poorer prognosis and survival rates has been documented in the medical literature.

We presented updated Phase I TKM-PLK1 data at the 6th Annual NET Conference hosted by the North American Neuroendocrine Tumor Society (NA-NETS) held in Charleston, South Carolina on October 4, 2013. This data set included a total of 36 patients in a population of advanced cancer patients with solid tumors. Doses ranged from 0.15 mg/kg to 0.90 mg/kg during the dose escalation portion of the trial, with the maximum tolerated dose (MTD) of 0.75 mg/kg administered to the expansion cohort. Serious adverse events (SAEs) were experienced by four subjects in this heavily pre-treated, advanced cancer patient population, with three of these four subjects continuing on study. Forty percent (6 out of 15) of patients evaluable for response, treated at a dose equal to or greater than 0.6 mg/kg, showed clinical benefit. Three out of the four Adrenocortical Carcinoma (ACC) patients (75%) treated with TKM-PLK1 achieved stable disease, including one patient who saw a 19.3% reduction in target tumor size after two cycles of treatment and is still on study receiving TKM-PLK1. Of the two Gastrointestinal Neuroendocrine Tumors (GI-NET) patients enrolled, both experienced clinical benefit: one patient had a partial response based on RECIST response criteria, and the other GI-NET patient achieved stable disease and showed a greater than 50% reduction in Chromogranin-A (CgA) levels, a key biomarker used to predict clinical outcome and tumor response.

Based on the encouraging results from the dose escalation portion and expansion cohort from our Phase I TKM-PLK1 clinical trial, we have expanded into a Phase I/II clinical trial with TKM-PLK1, which is specifically enrolling patients within two therapeutic indications: advanced GI-NET or ACC. This multi-center, single arm, open label study is designed to measure efficacy using RECIST criteria and tumor biomarkers for GI-NET patients, as well as to evaluate the safety, tolerability and pharmacokinetics of TKM-PLK1. TKM-PLK1 will be administered weekly with each four-week cycle consisting of three once-weekly doses followed by a rest week. It is expected that approximately 20 patients with advanced GI-NET or ACC tumors will be enrolled in this trial, with a minimum of 10 GI-NET patients to be enrolled. We expect to report interim data from this trial in the second half of 2014.

In the first half of 2014, we also expect to initiate another Phase I/II clinical trial with TKM-PLK1, enrolling patients with Hepatocellular Carcinoma (HCC). This clinical trial will be a multi-center, single arm, open label dose escalation study designed to evaluate the safety, tolerability and pharmacokinetics of TKM-PLK1 as well as determine the maximum tolerated dose in HCC patients and measure the anti-tumor activity of TKM-PLK1 in HCC patients.

TKM-HBV

Our extensive experience in the anti-viral arena has been applied to our TKM-HBV program, and the development of an RNAi therapeutic for the treatment of chronic Hepatitis B infection. There are over 350 million people infected globally with Hepatitis B virus (HBV). In the United States there are approximately 1.4 million HBV chronically infected individuals. We are focused on addressing the unmet need of eliminating HBV surface antigen expression in chronically infected patients. Small molecule nucleotide therapy is rapidly becoming the standard of care for chronically HBV infected patients. However, many of these patients continue to express a viral protein called surface antigen. This protein causes inflammation in the liver leading to cirrhosis and in some cases to hepatocellular cancer and death.

TKM-HBV is designed to eliminate surface antigen expression in these chronically infected patients. The rationale is that by blocking surface antigen – and reducing much of the pathology associated with surface antigen expression – this therapy will also allow these patients a potential to 'sero-convert', or raise their own antibodies against the virus, and effect a functional cure of the infection.

TKM-HBV is being developed as a multi-component RNAi therapeutic that targets multiple sites on the HBV genome. Because HBV is a viral infection of the liver, the TKM-HBV therapeutic will employ a liver-centric, third generation-LNP formulation that is more potent and has a broader therapeutic index than any LNP currently in clinical development. We anticipate completing the necessary preclinical work to be in a position to file an Investigational New Drug (IND) application in the second half of 2014 in order to advance TKM-HBV into a Phase I clinical trial in chronically infected HBV patients, with data available in 2015.

TKM-Ebola and TKM-Marburg

TKM-Ebola, an anti-Ebola viral therapeutic, is being developed under a contract with the U.S. Department of Defense's (DoD) Joint Project Manager Medical Countermeasure Systems (JPM-MCS). In 2010, preclinical studies were published in the medical journal *The Lancet* demonstrating that when siRNA targeting the Ebola virus and delivered by Tekmira's LNP technology were used to treat previously infected non-human primates, the result was 100 percent protection from an otherwise lethal dose of Zaire Ebola virus (Geisbert et al., The Lancet, Vol 375, May 29, 2010).

In July 2010, we signed a contract with the DoD under their JPM-MCS program to advance TKM-Ebola, providing us with approximately $140.0 million in funding for the entire program. In May 2013 we announced that our collaboration with the JPM-MCS was modified and expanded to include advances in LNP formulation technology since the initiation of the program in 2010. The recent contract modification increases the stage one targeted funding from $34.7 million to $41.7 million.

In January 2014, we commenced a Phase I clinical trial with TKM-Ebola. The trial is a randomized, single-blind, placebo-controlled study involving single ascending doses and multiple ascending doses of TKM-Ebola. The study will assess the safety, tolerability and pharmacokinetics of administering TKM-Ebola to healthy adult subjects. Four subjects will be enrolled per cohort. There are four planned cohorts for a total of 16 subjects in the single dose arm, and three planned cohorts for a total of 12 subjects in the multiple dose arm of the trial. Each cohort will enroll three subjects who receive TKM-Ebola, and one who will receive placebo.

In March 2014, we were granted a Fast Track designation from the U.S. Food and Drug Administration (FDA) for the development of TKM-Ebola. The FDA's Fast Track is a process designed to facilitate the development and expedite the review of drugs in order to get important new therapies to the patient earlier.

TKM-Ebola is being developed under specific FDA regulatory guidelines called the "Animal Rule." The Animal Rule provides that under certain circumstances, where it is unethical or not feasible to conduct human efficacy studies, the FDA may grant marketing approval based on adequate and well-controlled animal studies when the results of those studies establish that the drug is reasonably likely to produce clinical benefit in humans. Demonstration of the product's safety in humans is still required.

Like Ebola, Marburg is a member of the filovirus family of hemorrhagic fever viruses. Regularly occurring natural outbreaks with the Marburg Angola strain have resulted in mortality in approximately 90% of infected individuals, matching that of the most lethal Ebola strains, while in laboratory settings experimental infection with either virus is uniformly lethal. There are currently no approved therapeutics available for the treatment of Marburg infection. In 2010, Tekmira and the University of Texas Medical Branch (UTMB) were awarded a National Institutes of Health (NIH) grant to support research to develop RNAi therapeutics to treat Ebola and Marburg hemorrhagic fever viral infections.

In November 2013, we announced data from a collaboration between Tekmira and the UTMB that showed 100% survival in non-human primates infected with the Angola strain of the Marburg virus in two separate studies. In the first study, 100% survival was achieved when dosing at 0.5 mg/kg TKM-Marburg began one hour after infection with otherwise lethal quantities of the virus. Dosing then continued once daily for seven days. In the second study, 100% survival was achieved even though treatment did not begin until 24 hours after infection. Tekmira expects to continue to build on these data and pursue additional funding opportunities for TKM-Marburg.

TKM-ALDH2

TKM-ALDH2 is a unique application of RNAi. In the United States, approximately 18 million people have an alcohol use disorder. Two million of these seek treatment each year, and approximately 350,000 of these patients receive pharmacotherapy for alcohol use disorder. TKM-ALDH2 will be developed for a high value segment of the alcohol use disorder market, with a target patient population who have moderate to severe alcohol use disorder, such as educated professionals who have support and are motivated to seek treatment.

TKM-ALDH2 has been designed to knock down or silence the ALDH2 enzyme to induce long term acute sensitivity to ethanol. Aldehyde dehydrogenase 2 (ALDH2) is a key enzyme in ethanol metabolism. Inhibition of aldehyde dehydrogenase 2 activity, through the silencing of ALDH2, results in the build-up of acetaldehyde. Elevated levels of acetaldehyde are responsible for adverse physiological effects that cause individuals to avoid alcohol consumption. We have developed an extremely potent RNAi trigger and combined it with a third generation LNP. Human proof of concept for ALDH2 inhibition already exists in the form of the approved drug disulfiram. However, disulfiram’s efficacy suffers from poor compliance because it has to be taken daily. We believe TKM-ALDH2 will induce prolonged ethanol sensitivity that will enable it to overcome the compliance limitations associated with daily dosing.

We anticipate completing the necessary preclinical work to be in a position to file an IND in the second half of 2014 in order to advance TKM-ALDH2 into a Phase I clinical trial in healthy volunteers. It is expected that proof-of-concept with alcohol challenge including ALDH2 knockdown, acetaldehyde build up and ethanol toxicity can be obtained in the Phase I clinical trial with data available in 2015. Because alcohol use disorder represents a significant public health problem, there are a variety of government funding sources seeking to support new therapeutic strategies, and Tekmira will be exploring and leveraging these partnering opportunities.

Other Preclinical Candidates

We are currently evaluating several additional preclinical candidates with potential in diverse therapeutic areas using key criteria to prioritize efforts. Given the extremely high efficiency of delivery for third generation liver-centric LNP formulations, we are focused on rare diseases where the molecular target is found in the liver, where early clinical proof-of-concept can be achieved and where there may be accelerated development opportunities. Two areas of interest are glycogen storage diseases and rare forms of hypertriglyceridemia. Our research team intends to continue to generate preclinical data to support the advancement of the most promising of these targets, and we expect to be in a position to identify another development candidate in 2014.

Advancements in LNP Technology

We continue to develop our proprietary “gold standard” LNP delivery technology and receive clinical validation from LNP-based products currently in clinical trials. The most advanced LNP-enabled therapeutic, which is being developed by Alnylam Pharmaceuticals, Inc., has now entered Phase III clinical development. Ongoing advances in next-generation LNP technologies include increasing potency as well as expanding the therapeutic index. Our LNP technology remains an important cornerstone of our business development activities moving forward.

Because LNP can enable a wide variety of nucleic acid payloads, including messenger RNA, we continue to see new product development and partnering opportunities based on our industry-leading delivery expertise. Most recently, in February 2014, we presented new preclinical data at the AsiaTIDES scientific symposium demonstrating that mRNA when encapsulated and delivered using Tekmira's LNP technology can be effectively delivered and expressed in liver, tumors and other specific tissues of therapeutic interest.

Technology, product development and licensing agreements

In the field of RNAi therapeutics, we have licensed our LNP delivery technology to Alnylam and Merck & Co., Inc., and Alnylam has provided royalty bearing access to our LNP delivery technology to some of its partners. In addition, we have ongoing research relationships with Bristol-Myers Squibb Company, the United States National Cancer Institute, the DoD’s JPM-MCS program, and other undisclosed pharmaceutical and biotechnology companies. Outside the field of RNAi, we have a legacy licensing agreement with Spectrum Pharmaceuticals Inc.

We have rights under the RNAi intellectual property of Alnylam to develop thirteen RNAi therapeutic products. In addition, we have a broad non-exclusive license to use Unlocked Nucleobase Analogs (UNAs) from Arcturus Therapeutics, Inc. for the development of RNAi therapeutic products directed to any target in any therapeutic indication.

Strategic Alliances

Alnylam Pharmaceuticals, Inc. and Acuitas Therapeutics Inc.

Alnylam has a license to use our intellectual property to develop and commercialize products and may only grant access to our LNP technology to its partners if it is part of a product sublicense. Alnylam’s license rights are limited to patents that we filed, or that claim priority to a patent that was filed, before April 15, 2010. Alnylam does not have rights to our patents filed after April 15, 2010 unless they claim priority to a patent filed before that date. Alnylam will pay us low single digit royalties as Alnylam’s LNP-enabled products are commercialized. Alnylam currently has three LNP-based products in clinical development: ALN-TTR02 (patisiran), ALN-VSP, and ALN-PCS02.

In November 2013, Alnylam presented positive results from its Phase II clinical trial with patisiran (ALN-TTR02), an RNAi therapeutic targeting transthyretin (TTR) for the treatment of TTR-mediated amyloidosis (ATTR), which is enabled by our LNP technology. The program represents the most clinically advanced application of our proprietary LNP delivery technology. Alnylam also announced the initiation of the APOLLO Phase III trial of patisiran, with the study now open for enrollment, to evaluate efficacy and safety of patisiran in ATTR patients with Familial Amyloidotic Polyneuropathy (FAP).

In December 2013, we received a $5 million milestone from Alnylam, triggered by the initiation of the APOLLO Phase III trial of patisiran. We have entered an arbitration proceeding with Alnylam, as provided for under our licensing agreement, to resolve a matter related to a disputed $5 million milestone payment to Tekmira from Alnylam related to its ALN-VSP product. We have not recorded any revenue in respect of this milestone.

Our licensing agreement with Alnylam grants us intellectual property rights for the development and commercialization of RNAi therapeutics for specified targets. In consideration for these three exclusive and ten non-exclusive licenses, we have agreed to pay single-digit royalties to Alnylam on product sales, with milestone obligations of up to $8.5 million on the non-exclusive licenses and no milestone obligations on the three exclusive licenses.

In December 2013, we finalized and entered a cross-license agreement with Acuitas Therapeutics Inc. (formerly AlCana Technologies, Inc.). The terms of the cross-license agreement provide Acuitas with access to certain of Tekmira's earlier IP generated prior to April 2010 and provide us with certain access to Acuitas' technology and licenses in the RNAi field, along with a percentage of each milestone and royalty payment with respect to certain products, and Acuitas has agreed that it will not compete in the RNAi field for a period of 5 years.

Spectrum Pharmaceuticals, Inc.

In September 2013, we announced that our licensee, Spectrum Pharmaceuticals, Inc. had launched Marqibo® through its existing hematology sales force in the United States and has shipped the first commercial orders. We are entitled to mid-single digit royalty payments based on Marqibo's commercial sales. Marqibo, which is a novel, sphingomyelin/cholesterol liposome-encapsulated formulation of the FDA-approved anticancer drug vincristine originally developed by Tekmira, was licensed from Tekmira to Talon Therapeutics in 2006. In July 2013, Talon was acquired by Spectrum Pharmaceuticals, Inc. Marqibo's approved indication is for the treatment of adult patients with Philadelphia chromosome-negative acute lymphoblastic leukemia (Ph- ALL) in second or greater relapse or whose disease has progressed following two or more lines of anti-leukemia therapy. Spectrum has two ongoing Phase III trials evaluating Marqibo in additional indications.

Monsanto Company

In January 2014, we signed an Option Agreement and a Service Agreement with Monsanto, pursuant to which Monsanto may obtain a license to use our proprietary delivery technology. The transaction supports the application of our proprietary delivery technology and related IP for use in agriculture. The potential value of the transaction could reach up to $86.2 million following the successful completion of milestones. In January 2014, we received $14.5 million of the net $16.5 million in anticipated near term payments.

Marina Biotech, Inc. / Arcturus Therapeutics, Inc.

On November 29, 2012, we disclosed that we had obtained a worldwide, non-exclusive license to a novel RNAi trigger technology called Unlocked Nucleobase Analog (UNA) from Marina for the development of RNAi therapeutics. UNAs can be incorporated into RNAi drugs and have the potential to improve them by increasing their stability and reducing off-target effects. In August 2013, Marina assigned its UNA technology to Arcturus Therapeutics, Inc., and the UNA license agreement between Tekmira and Marina was assigned to Arcturus. The terms of the license are otherwise unchanged.

To date we have paid Marina $0.5 million in license fees and there are milestones of up to $3.2 million plus royalties for each product that we develop using UNA technology licensed from Marina.

Merck & Co., Inc. (Merck) and Alnylam license agreement

As a result of the business combination with Protiva in 2008, we acquired a non-exclusive royalty-bearing world-wide license agreement with Merck. Under the license, Merck will pay up to $17.0 million in milestones for each product they develop covered by Protiva's intellectual property, except for the first product for which Merck will pay up to $15.0 million in milestones, and will pay royalties on product sales. Merck's license rights are limited to patents that we filed, or that claim priority to a patent that was filed, before October 9, 2008. Merck does not have rights to our patents filed after October 9, 2008 unless they claim priority to a patent filed before that date. Merck has also granted a license to the Company to certain of its patents. On January 12, 2014, Alnylam announced that they will be acquiring this license from Merck in which case the license agreement will transfer to Alnylam.

Bristol-Myers Squibb Company (BMS) In May 2010 we announced the expansion of our ongoing research collaboration with BMS. Under the new agreement, BMS will use siRNA molecules formulated by us in LNPs to silence target genes of interest. BMS will conduct the preclinical work to validate the function of certain genes and share the data with us. We can use the preclinical data to develop RNAi therapeutic drugs against the therapeutic targets of interest. BMS paid us $3.0 million concurrent with the signing of the agreement. We are required to provide a predetermined number of LNP batches over the four-year agreement. BMS will have a first right to negotiate a licensing agreement on certain RNAi products developed by us that evolve from BMS validated gene targets. In May 2011, we announced a further expansion of the collaboration to include broader applications of our LNP technology and additional target validation work. Recognition of revenue from agreements with BMS is covered in the Revenue section of this MD&A.

U.S. National Institutes of Health (NIH)

On October 13, 2010 we announced that together with collaborators at The University of Texas Medical Branch (UTMB), we were awarded a new NIH grant to support research to develop RNAi therapeutics to treat Ebola and Marburg hemorrhagic fever viral infections using our LNP delivery technology. The grant, worth $2.4 million, is supporting work at Tekmira and at UTMB. At December 31, 2013 the remaining balance of Tekmira's portion of the grant was $0.04 million.

Halo-Bio RNAi Therapeutics, Inc.

On August 24, 2011, we entered into a license and collaboration agreement with Halo-Bio. Under the agreement, Halo-Bio granted to us an exclusive license to its multivalent ribonucleic acid MV-RNA technology. The agreement was amended on August 8, 2012 to adjust the future license fees and other contingent payments. To date we have recorded $0.5 million in fees under our license from Halo-Bio. We terminated the agreement with Halo-Bio on July 31, 2013. There are no further payments due or contingently payable to Halo-Bio.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The significant accounting policies that we believe to be most critical in fully understanding and evaluating our financial results are revenue recognition, stock-based compensation and share purchase warrant valuation. These accounting policies require us to make certain estimates and assumptions. We believe that the estimates and assumptions upon which we rely are reasonable, based upon information available to us at the time that these estimates and assumptions are made. Actual results may differ from our estimates. Our critical accounting estimates affect our net income or loss calculation.

Revenue Recognition / Our primary sources of revenue have been derived from research and development collaborations and contracts, and licensing fees comprised of initial fees and milestone payments. Payments received under research and development agreements and contracts, which are non-refundable, are recorded as revenue as services are performed and as the related expenditures are incurred pursuant to the agreement, provided collectability is reasonably assured. Revenue earned under research and development manufacturing collaborations where we bear some or all of the risk of a product manufacture failure is recognized when the purchaser accepts the product and there are no remaining rights of return. Revenue earned under research and development collaborations and contracts where we do not bear any risk of product manufacture failure is recognized in the period the work is performed. For contracts where the manufacturing amount is specified, revenue is recognized as product is manufactured in proportion to the total amount specified under the contract. Initial fees and milestone payments which require our ongoing involvement are deferred and amortized into income over the estimated period of our involvement as we fulfill our obligations under our agreements. Revenue earned under contractual arrangements upon the occurrence of specified milestones is recognized as the milestones are achieved and collection is reasonably assured.

The revenue that we recognize is a critical accounting estimate because of the volume and nature of the revenues we receive. Some of the research, development and licensing agreements that we have entered into contain multiple revenue elements that are to be recognized for accounting in accordance with our revenue recognition policy. We need to make estimates as to what period the services will be delivered with respect to up-front licensing fees and milestone payments received because these payments are deferred and amortized into income over the estimated period of our ongoing involvement. The actual period of our ongoing involvement may differ from the estimated period determined at the time the payment is initially received and recorded as deferred revenue. This may result in a different amount of revenue that should have been recorded in the period and a longer or shorter period of revenue amortization. When an estimated period changes we amortize the remaining deferred revenue over the estimated remaining time to completion. The rate at which we recognize revenue from payments received for services to be provided under research and development agreements depends on our estimate of work completed to date and total work to be provided. The actual total services provided to earn such payments may differ from our estimates.

Our DoD contract for TKM-Ebola is based on cost reimbursement plus an incentive fee. At the beginning of our fiscal year we estimate our labor and overhead rates for the year ahead. During the year, we re-estimate our labor and overhead rates and adjust our revenue accordingly. Our actual labor and overhead rates will differ from our estimate based on actual costs incurred and the proportion of our efforts on contracts and internal products versus indirect activities. Within minimum and maximum collars, the amount of incentive fee we can earn under the DoD contract varies based on our costs incurred versus budgeted costs. We need to make an estimate of our final contract costs in order to calculate the final incentive fee we will receive. Until we are able to make a reliable estimate of the final contract costs, we recognize only the minimum incentive fee achievable and earned. Once we are able to reliably estimate the final contract costs, we recognize the portion of the estimated incentive fee earned to date.

Our revenue for 2013 was $15.5 million (2012 - $14.1 million) and deferred revenue at December 31, 2013 was $3.5 million (December 31, 2012 - $3.9 million).

Stock-based compensation / The stock-based compensation that we record is a critical accounting estimate due to the value of compensation recorded, the volume of our stock option activity, and the many assumptions that are required to be made to calculate the compensation expense.

Compensation expense is recorded for stock options issued to employees and directors using the fair value method. We must calculate the fair value of stock options issued and amortize the fair value to stock compensation expense over the vesting period, and adjust the expense for stock option forfeitures and cancellations. We use the Black-Scholes model to calculate the fair value of stock options issued which requires that certain assumptions, including the expected life of the option and expected volatility of the stock, be estimated at the time that the options are issued. This accounting estimate is reasonably likely to change from period to period as further stock options are issued and adjustments are made for stock option forfeitures and cancellations. We make an estimate for stock option forfeitures at the time of grant and revise this estimate in subsequent periods if actual forfeitures differ. The term "forfeitures" is distinct from "cancellations" or "expirations" and represents only the unvested portion of the surrendered stock option. We amortize the fair value of stock options using the straight-line method over the vesting period of the options, generally a period of three years for employees and immediate vesting for directors.

We recorded stock-based compensation expense in 2013 of $0.9 million (2012 - $1.0 million).

Share purchase warrant valuation / The valuation of share purchase warrants is a critical accounting estimate due to the value of liabilities recorded and the many assumptions that are required to be made to calculate the liability.

We classify warrants in our consolidated balance sheet as liabilities and revalue them at each balance sheet date. Any change in valuation is recorded in our statement of operations. We use the Black-Scholes pricing model to value the warrants. Determining the appropriate fair-value model and calculating the fair value of registered warrants requires considerable judgment. A small change in the estimates used may cause a relatively large change in the estimated valuation. Prior to Q3 2013, for the purpose of valuing warrants, the estimated volatility of our common stock at the date of issuance, and at each subsequent reporting period, is based upon observations of warrants in the market with similar characteristics and expected remaining lives. The risk-free interest rate is based on the zero-coupon rate for bonds with a maturity similar to the expected remaining life of the warrants at the valuation date. The expected life of the warrants is assumed to be equivalent to their remaining contractual term.

Based on changes in our business and general stock market conditions since our warrants were issued in 2011 and 2012, in Q3 2013, we undertook a review of our warrant fair value assumptions. Our previous assumption for warrant expected life was the warrant’s remaining contractual term. Based on the pattern of exercises of our warrants we have reduced the expected life to a weighted average of 1.6 years. Our previous assumption for expected volatility in respect of our warrants was 40%. We are now calculating volatility based on our historic share price fluctuations, which, at December 31, 2013, gave a weighted average expected volatility of 47.03%. The reduction in expected life has the effect of reducing the fair value of our warrants, whereas, the increase in our expectations for volatility increases the fair value of our warrants. These two warrant-pricing assumptions, however, had relatively little impact on the change in the fair value of our warrants in 2013 as compared to the impact of the change in our stock price, as quoted on the Toronto Stock Exchange, from $5.01 (C$4.98) in at December 31, 2012 to $7.94(C$8.45) at December 31, 2013.

We recorded a loss for the change in fair value of warrant liability in 2013 of $3.5 million (2012 – loss of $3.8 million).

RECENT ACCOUNTING PRONOUNCEMENTS

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (FASB) or other standard setting bodies that we adopt as of the specified effective date. Unless otherwise discussed, we believe that the impact of recently issued standards that are not yet effective will not have a material impact on our financial position or results of operations upon adoption.

In December 2011, the FASB issued ASU 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. In January 2013, the FASB issued ASU 2013-01, *Balance Sheet: Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*, and is intended to narrow the scope of ASU 2011-11.These newly issued accounting standards requires an entity to disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position as well as instruments and transactions executed under a master netting or similar arrangement and was issued to enable users of financial statements to understand the effects or potential effects of those arrangements on its financial position. This ASU is required to be applied retrospectively and is effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. As this accounting standard only requires enhanced disclosure, the adoption of this standard did not have an impact on our financial position or results of operations.

In February 2013, the FASB issued amendments to the accounting guidance for presentation of comprehensive income to improve the reporting of reclassifications out of accumulated other comprehensive income. The amendments do not change the current requirements for reporting net income or other comprehensive income, but do require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where the net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under GAAP that provide additional detail about these amounts. For public companies, these amendments are effective prospectively for reporting periods beginning after December 15, 2012. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In July 2013, the FASB issued ASU 2013-11, Income Taxes (ASC 740) *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carry forward, a Similar Tax Loss, or a Tax Credit Carry forward Exists* (Update). The update is intended to eliminate the diversity in practice of the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The update is effective for annual and interim financial statements for fiscal years beginning after December 15, 2013. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted.

SUMMARY OF QUARTERLY RESULTS

The following table presents our unaudited quarterly results of operations for each of our last eight quarters. These data have been derived from our unaudited condensed consolidated financial statements, which were prepared on the same basis as our annual audited financial statements and, in our opinion, include all adjustments necessary, consisting solely of normal recurring adjustments, for the fair presentation of such information.

(in millions $ except per share data) – unaudited

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Revenue								
Collaborations and contracts:								
DoD	$ 2.6	$ 2.8	$ 2.4	$ 1.9	$ 3.6	$ 1.9	$ 2.5	$ 3.5
Alnylam	—	—	—	—	—	—	—	—
Other	(0.1)	0.1	0.4	0.2	0.3	0.1	0.1	0.1
	2.6	2.9	2.8	2.1	3.9	2.0	2.6	3.6
Alnylam milestone payments	5.0	—	—	—	—	—	1.0	—
Spectrum milestone and royalty payments	—	—	—	—	—	1.0	—	—
Total revenue	**7.6**	**2.9**	**2.8**	**2.1**	**3.9**	**3.0**	**3.6**	**3.6**
Expenses	(9.9)	(6.6)	(5.9)	(5.1)	(9.8)	(4.8)	(6.2)	(6.2)
Other income (losses)	(0.2)	(2.2)	0.1	0.5	44.2	(1.6)	0.7	(0.5)
Net (loss) income	**(2.6)**	**(5.9)**	**(3.0)**	**(2.5)**	**38.0**	**(3.4)**	**(1.9)**	**(3.1)**
Basic net (loss) income per share	**$ (0.15)**	**$ (0.41)**	**$ (0.21)**	**$ (0.17)**	**$ 2.72**	**$ (0.25)**	**$ (0.14)**	**$ (0.25)**
Diluted net (loss) income per share	**$ (0.15)**	**$ (0.41)**	**$ (0.21)**	**$ (0.17)**	**$ 2.51**	**$ (0.25)**	**$ (0.14)**	**$ (0.25)**

Quarterly Trends / Our revenue is derived from research and development collaborations and contracts, licensing fees, milestone and royalty payments. Over the past two years, our principal source of ongoing revenue has been our contract with the DoD to advance TKM-Ebola which began in July 2010.

In Q3 2010 we signed a contract with the DoD to develop TKM-Ebola and have since incurred significant program costs related to equipment, materials and preclinical and clinical studies. These costs are included in our research, development, collaborations and contracts expenses. These costs are fully reimbursed by the DoD, and this reimbursement amount is recorded as revenue. DoD revenue from the TKM-Ebola program also compensates us for labor and overheads and provides an incentive fee. In Q3 2012, the DoD issued a temporary stop-work order, which was subsequently lifted in Q4 2012 and the contract resumed. Revenue in Q4 2012 was unusually high due to an increase in our overhead rates. As described in our critical accounting policies, we estimate the labor and overhead rates to be charged under our TKM-Ebola contract and update these rate estimates throughout the year. In Q4 2012, we incurred unforecasted expenses which led to an increase in our TKM-Ebola contract overhead rates and, therefore, an increase in our revenue under the contract. Q1 2013 DoD revenue was lower as certain activities were still building momentum following the stop-work order. TKM-Ebola contract revenue increased in Q2, Q3 and Q4 2013 as technology transfer, manufacturing and non-clinical studies were all ongoing. On May 8, 2013 we announced the signing of a modification to the TKM-Ebola contract - see the “Results of Operations” section of this discussion.

In Q2 2012 we earned a $1.0 million milestone from Alnylam following their initiation of a Phase II human clinical trial enabled by our LNP delivery technology. In Q4 2013 we earned a $5.0 million milestone from Alnylam following their initiation of a Phase III trial enabled by our LNP technology.

In Q3 2012 we earned a $1.0 million milestone from Spectrum when they received accelerated approval for Marqibo from the U.S. Food and Drug Administration (FDA). In Q4 2013, we earned our first meaningful royalty payment from Spectrum, $0.04 million, as they shipped commercial orders of Marqibo.

In Q4 2013 we decided with BMS to extend the batch formulation agreement end date from May 2014 to December 2014. Extending the agreement will give BMS more time to order LNP batches. There will not be any monetary consideration for extending the agreement. Revenue recognized in 2013 has been reduced and the balance of deferred revenue as at December 31, 2013 has been increased to account for BMS, potentially, ordering more batches under the agreement. This adjustment is reflected in the $0.1 million of negative “other revenue” in Q4 2013 when the decision was made to extend the agreement and a cumulative revenue adjustment was recorded.

We expect revenue to continue to fluctuate particularly due to the development stage of the TKM-Ebola contract and the irregular nature of licensing payments and milestone receipts.

Expenses / Q3 2012 expenses were unusually low due in part to the TKM-Ebola contract stop-work order as discussed above. Our Q4 2012 expenses were unusually high as we paid staff bonuses and recorded $2.5 million in license fee charges related to Acuitas, Marina and Halo-Bio - see the Overview section of this discussion.

In Q4 2013, our expenses increased due to an increase in our research and development activities.

Other income (losses) / Other income in Q4 2012 consists primarily of $65.0 million received under the new Alnylam license agreement net of related contingent legal fees of $18.7 million paid to our lead litigation counsel. Q3 2013 includes a loss for the $2.5 million increase in the fair value of our warrant liability. This is largely attributable to the increase in our share price as compared to when the warrants were last valued at the end of Q2 2013.

Other losses in Q4 2013 consist primarily of a $1.4 million increase in the fair value of warrant liability due to the significant increase in our share price. We also recorded a foreign exchange gain of $1.1 million on the U.S. dollar funds that we received from financing activities.

Net (loss) income / The loss in Q1 2012 is largely due to the reduction in Alnylam revenue in Q1 2012 and an increase in the fair value of our outstanding warrants in Q1 2012 as a result of our increasing share price. The increase in loss in both Q3 2012 and Q3 2013 is largely due to increases in the fair value of our warrant liability which is caused by increases in our share price over the previous quarter ends. The net income in Q4 2012 is largely due to the litigation settlement payments received from Alnylam, and the decrease in loss in Q4 2013 is largely due to the milestone payment we received from Alnylam.

Fourth quarter of 2013 / Our Q4 2013 net loss was $2.6 million ($0.15 basic and diluted loss per common share) as compared to a net income of $38.0 million ($2.72 basic income per common share, $2.51 diluted income per common share) for Q4 2012.

Revenue increased to $7.6 million in Q4 2013 as compared to $3.9 million in Q4 2012 largely as a result of the $5.0 million milestone payment from Alnylam.

Research, development, collaborations and contracts expenses remained relatively stable at $7.0 million in Q4 2013 and $7.2 million in Q4 2012. In Q4 2012 we recorded $2.5 million in license fee charges related to Acuitas, Marina and Halo-Bio - see the Overview section of this discussion. In Q4 2013, we increased DoD research and development activities as compared to Q4 2012 when work was ramping up again after the stop-work period.

Other income in Q4 2012 is primarily $65.0 million received under the new Alnylam license agreement net of related contingent legal fees of $18.7 million paid to our lead litigation counsel. Other losses in Q4 2013 primarily consists of $1.4 million increase in warrant liability due to the increase in our share price, and a foreign exchange gain of $1.1 million on the U.S. dollar funds that we received from financing activities.

RESULTS OF OPERATIONS

The following summarizes the results of our operations for the 2013, 2012 and 2011 fiscal years:

(in millions of US$)	**2013**	2012	2011
Total revenue	**$ 15.5**	$ 14.1	$ 16.8
Research, development, collaborations and contracts expenses	**21.5**	18.0	20.1
General and administrative expenses	**5.5**	8.1	6.4
Depreciation of property and equipment	**0.6**	0.9	1.0
Other income (losses)	**(1.9)**	42.6	0.6
Net income (loss)	**(14.1)**	29.6	(10.1)
Basic income (loss) per share	**(0.92)**	2.16	(0.89)
Diluted income (loss) per share	**(0.92)**	2.07	(0.89)
Total assets	**71.7**	52.6	13.8
Total liabilities	**12.5**	11.7	8.5
Total non-current liabilities	**0.0**	0.7	1.7
Deficit	**(167.0)**	(153.0)	(182.6)
Accumulated other comprehensive income	**(15.8)**	(12.7)	(13.1)
Total stockholders’ equity	**$ 59.2**	$ 40.9	$ 5.2

Year ended December 31, 2013 compared to the year ended December 31, 2012

For the fiscal year ended December 31, 2013, our net loss was $14.1 million ($0.92 basic and diluted loss per common share) as compared to a net income of $29.6 million ($2.16 basic income per common share, $2.07 diluted income per common share) for 2012.

Revenue / Revenue is detailed in the following table:

(in millions US$)	**2013**	2012
Collaborations and contracts		
DoD	$ **9.8**	$ 11.5
Alnylam	**-**	-
BMS	**0.5**	0.4
Other RNAi collaborators	**0.1**	0.1
Total collaborations and contracts	**10.4**	12.1
Alnylam milestone payments	**5.0**	1.0
Spectrum milestone and royalty payments	**0.0**	1.0
Total revenue	**$ 15.5**	$ 14.1

DoD revenue / On July 14, 2010, we signed a contract with the United States Government Department of Defense ("DoD") to advance an RNAi therapeutic utilizing our LNP technology to treat Ebola virus infection (see Overview for further discussion). The initial phase of the contract, which is funded under a Transformational Medical Technologies program, was budgeted at $34.7 million. This stage one funding is for the development of TKM-Ebola including completion of preclinical development, filing an IND application with the FDA and completing a Phase I human safety clinical trial.

On August 6, 2012, we announced that we had received a temporary stop-work order from the DoD in respect of our TKM-Ebola contract. On October 2, 2012, we announced that the stop-work order had been lifted and we resumed work.

In November 2012, we submitted a modification request to the existing contract to the DoD in order to integrate recent advancements in LNP formulation and manufacturing technology in the TKM-Ebola development program. The modification was approved and increased the stage one targeted funding from $34.7 million to $41.7 million.

Under the contract, we are being reimbursed for costs incurred, including an allocation of overheads, and we are being paid an incentive fee.

Alnylam revenue / In June 2012 we earned a $1.0 million milestone from Alnylam following their initiation of a Phase II human clinical trial for their product candidate ALN-TTR02. ALN-TTR02 utilizes our LNP technology.

In November 2013, Alnylam initiated a Phase III trial with ALN-TTR02, also known as patisiran, and the associated $5.0 million development milestone was paid to us in December 2013. On June 21, 2013, we transferred manufacturing process technology to Ascletis to enable them to produce ALN-VSP, a product candidate licensed to them by Alnylam. We believe that under our licensing agreement with Alnylam, the technology transfer to Ascletis triggers a $5.0 million milestone obligation from Alnylam to us. However, Alnylam has demanded a declaration that we have not yet met its milestone obligations. We dispute Alnylam's position. To remedy this dispute, we have commenced arbitration proceedings with Alnylam, as provided for under the agreement. We have not recorded any revenue in respect of this milestone.

BMS revenue / In May 2010 we signed a formulation agreement with BMS under which BMS paid us $3.0 million to make a certain number of LNP formulations over the following four year period. Revenue recognized in 2012 and 2013 relate to LNP batches the company produced in proportion to the maximum LNP formulations that may be required under the contract. As at December 31, 2013, we intend offer BMS an extension to the agreement's end date from May 10, 2014 to December 31, 2014. Extending the agreement will give BMS more time to order LNP batches. There will not be any monetary consideration for extending the agreement. Revenue recognized in 2013 has been reduced and the balance of deferred revenue as at December 31, 2013 has been increased to account for BMS, potentially, ordering more batches under the agreement.

Other RNAi collaborators revenue / We have active research agreements with a number of other RNAi collaborators.

Spectrum revenue / In August 2012, we earned a $1.0 million milestone payment from Talon based on the FDA approval of Marqibo. Talon was acquired by Spectrum in July 2013. The acquisition does not affect the terms of our license with Talon. In September 2013, Spectrum announced that they had shipped the first commercial orders of Marqibo. In 2013, we recorded $0.04 million in Marqibo royalty revenue.

Expenses / Research, development, collaborations and contracts / Research, development, collaborations and contracts expenses were $21.5 million in 2013 as compared to $18.0 million in 2012. Research, development, collaborations and contracts expenses consist primarily of clinical and pre-clinical trial expenses, personnel expenses, consulting and third party expenses, consumables and materials, as well as a portion of stock-based compensation and general corporate costs.

In 2012, spending on our internal earlier-stage research programs was reduced as we focused on TKM-Ebola, TKM-PLK1 and the litigation against Alnylam and Acuitas. In 2013, we resumed research activities and spending on earlier-stage research programs and new target identification, including new 2013 programs TKM-HBV and TKM-ALDH2 – see Overview. In 2013, there was additional spending on the TKM-PLK1 program as we moved into Phase I/II and opened up more clinical trial sites. In addition, we incurred incremental costs for TKM-Ebola program in 2013, as compared to 2012, as we conducted a number of pre-clinical studies with our new formulation.

Compensation expenses are at a similar level in 2013 as compared to 2012. There was an increase in workforce of 19 employees in 2013, but there was a higher bonus payout in 2012 following settlement with Alnylam and Acuitas.

A significant portion of our research, development, collaborations and contracts expenses are not tracked by project as they benefit multiple projects or our technology platform and because our most-advanced programs are not yet in late-stage clinical development. However, our collaboration agreements contain cost-sharing arrangements pursuant to which certain costs incurred under the project are reimbursed. Costs reimbursed under collaborations typically include certain direct external costs and hourly or full-time equivalent labor rates for the actual time worked on the project. In addition, we have been reimbursed under government contracts for certain allowable costs including direct internal and external costs. As a result, although a significant portion of our research, development, collaborations and contracts expenses are not tracked on a project-by-project basis, we do, however, track direct external costs attributable to, and the actual time our employees worked on, our collaborations and government contracts.

General and administrative / General and administrative expenses were $5.5 million in 2013 as compared to $8.1 million in 2012. The higher costs in 2012 were related to legal fees incurred in respect of our lawsuit with Alnylam and Acuitas.

Depreciation of property and equipment / Depreciation of property and equipment was $0.6 million in 2013 as compared to $0.9 million in 2012. Most of our recent property and equipment additions were related to our TKM-Ebola program and are not recorded as Company assets. As such, a large portion of our property and equipment is reaching full amortization. In 2013, however, we did spend $0.7 million on property and equipment mostly related to information technology improvements.

Other income (losses) / Licensing settlement payment / In November 2012 we received $65.0 million in cash from Alnylam as a result of signing a new license agreement. In connection with the licensing settlement payment of $65.0 million, in December 2012, we paid our lead legal counsel $18.7 million in contingent legal fees.

No payments were made or received in 2013 related to the Alnylam settlement as the litigation was settled in 2012.

Change in fair value of warrant liability / In conjunction with equity and debt financing transactions in 2011 and an equity private placement that closed on February 29, 2012, we have issued warrants to purchase our common share. We are accounting for the warrants under the authoritative guidance on accounting for derivative financial instruments indexed to, and potentially settled in, a company's own stock, on the understanding that in compliance with applicable securities laws, the registered warrants require the issuance of registered securities upon exercise and do not sufficiently preclude an implied right to net cash settlement. At each balance sheet date the warrants are revalued using the Black-Scholes model and the change in value is recorded in the consolidated statement of operations and comprehensive income (loss).

The aggregate increase in value of our common share purchase warrants outstanding at December 31, 2013 was $3.5 million as compared to an increase in the value of common share purchase warrants outstanding at the end of 2012 of $3.8 million. The increases are a result of increases in the Company's share price from the previous reporting dates.

We expect to see future changes in the fair value of our warrant liability and these changes will largely depend on the change in the Company's share price, any change in our assumed rate of share price volatility, our assumptions for the expected lives of the warrants and warrant issuances or exercises.

Year ended December 31, 2012 compared to the year ended December 31, 2011

For the fiscal year ended December 31, 2012, our net income was $29.6 million ($2.16 basic income per common share, $2.07 diluted income per common share) as compared to a net loss of $10.1 million ($0.89 loss per common and diluted share) for 2011.

Revenue / Revenue is detailed in the following table:

(in millions US$)	**2012**	2011
Collaborations and contracts		
DoD	$ **11.5**	$ 11.6
Alnylam	**-**	4.2
BMS	**0.4**	0.4
Other RNAi collaborators	**0.1**	0.1
Total collaborations and contracts	**12.1**	16.3
Alnylam milestone payments	**1.0**	0.5
Spectrum license amendment payment	**1.0**	-
Total revenue	**$ 14.1**	$ 16.8

DoD revenue / On July 14, 2010, we signed a contract with the DoD to advance an RNAi therapeutic utilizing our LNP technology to treat Ebola virus infection (see Overview for further discussion). Under the contract, we are being reimbursed for costs incurred, including an allocation of overheads, and we are being paid an incentive fee.

Alnylam revenue / Under the previous Alnylam Manufacturing Agreement, we were the exclusive manufacturer of any products required by Alnylam that utilize our technology through to the end of Phase II clinical trials. Under the Agreement there was a contractual minimum payment for the provision of staff in each of the three years from 2009 to 2011 and Alnylam was reimbursing us for any external costs incurred. As discussed earlier, the Alnylam Manufacturing Agreement was replaced by a new licensing agreement as part of the settlement of the litigation between Tekmira, Alnylam and Acuitas, and we are no longer manufacturing for Alnylam.

In Q2 2012 we earned a $1.0 million milestone from Alnylam following their initiation of a Phase II human clinical trial for their product candidate ALN-TTR02. ALN-TTR02 utilizes our LNP technology. In Q3 2011 we recorded a $0.5 million milestone payment from Alnylam following their initiation of a Phase I human clinical trial for a product enabled by our LNP delivery technology.

BMS revenue / In May 2010 we signed a formulation agreement with BMS under which BMS paid us $3.0 million to make a certain number of LNP formulations over the following four year period.

Other RNAi collaborators revenue / We have active research agreements with a number of other RNAi collaborators.

Spectrum revenue / In Q3 2012, we earned a $1.0 million milestone payment from Talon based on the FDA approval of Marqibo. Talon was acquired by Spectrum in July 2013.

Expenses / Research, development, collaborations and contracts / Research, development, collaborations and contracts expenses were $18.0 million in 2012 as compared to $20.1 million in 2011.

For reasons discussed in the revenue section above, third-party expenses on our Alnylam collaboration were lower in 2012 as compared to 2011.

Spending on our internal earlier-stage research programs was reduced as we focused on TKM-Ebola, TKM-PLK1 and the litigation against Alnylam and Acuitas.

Compensation expenses were at a similar level in 2012 as compared to 2011. There was a reduction in workforce of 15 employees in June 2011 and a further reduction in workforce in January 2012 of 16 employees. However, the reduced number of employees was offset by bonus payouts in Q4 2012; there were no bonuses paid in 2011.

General and administrative / General and administrative expenses were $8.1 million in 2012 as compared to $6.4 million in 2011. The increase in 2012 relates to legal fees incurred in respect of our lawsuit with Alnylam and Acuitas (excluding licensing settlement legal fees that have been recorded as other losses) and bonus payouts in Q4 2012; there were no bonuses paid in 2011.

Depreciation of property and equipment / Depreciation of property and equipment was $0.9 million in 2012 as compared to $1.0 million in 2011.

Other income (losses) / Licensing settlement payment / In November 2012 we received $65.0 million in cash from Alnylam as a result of signing a new license agreement.

Other income (losses) / Licensing settlement legal fees / In connection with the licensing settlement payment of $65.0 million, in December 2012, we paid our lead legal counsel $18.7 million in contingent legal fees.

Change in fair value of warrant liability / In conjunction with equity and debt financing transactions in 2011 and an equity private placement that closed on February 29, 2012, we have issued warrants to purchase our common share. We are accounting for the warrants under the authoritative guidance on accounting for derivative financial instruments indexed to, and potentially settled in, a company's own stock, on the understanding that in compliance with applicable securities laws, the registered warrants require the issuance of registered securities upon exercise and do not sufficiently preclude an implied right to net cash settlement. At each balance sheet date the warrants are revalued using the Black-Scholes model and the change in value is recorded in the consolidated statement of operations and comprehensive income (loss).

The aggregate increase in value of our common share purchase warrants outstanding at December 31, 2012 was $3.8 million as compared to a decrease in the value of common share purchase warrants outstanding at the end of 2011 of $0.5 million. The increase in value in 2012 is a result of additional warrants issued from the 2012 financing, as well as an increase in the Company's share price from the previous balance sheet date of December 31, 2011.

LIQUIDITY AND CAPITAL RESOURCES

Since our incorporation, we have financed our operations through the sales of shares, units, debt, revenues from research and development collaborations and licenses with corporate partners, interest income on funds available for investment, and government contracts, grants and tax credits.

At December 31, 2013, we had cash and cash equivalents of approximately $68.7 million as compared to $47.0 million at December 31, 2012.

Operating activities used $6.7 million in cash in 2013 as compared to $32.9 million of cash provided in 2012. The positive operating cash flow in 2012 was largely the result of the $65.0 million settlement reached with Alnylam which was recorded as "other income".

Investing activities used $0.73 million in 2013 as compared to $0.01 million in 2012. Equipment we acquire under our TKM-Ebola contract is owned by the DoD and is not recorded as a Company investment.

On February 29, 2012, we completed a private placement of 1,848,601 units for gross proceeds of $4.1 million. Each unit, priced at C$2.20, consists of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of C$2.60 for a period of five years from closing. The common shares issued pursuant to the private placement were subject to a four-month hold period that expired on June 30, 2012. After financing costs and commissions, the offering generated net cash of $3.8 million. As planned, we used these proceeds for working capital and general corporate purposes, including, progressing our research and development programs, including our various collaborative arrangements, as well as advancing and protecting our LNP technology, including the lawsuit against Alnylam and Acuitas.

On October 22, 2013, we completed an underwritten public offering of 3,750,000 common shares, at a price of $8.00 per share, representing gross proceeds of $30.0 million. On November 1, 2013, the offering's underwriter completed the exercise of its over-allotment option to purchase a further 562,500 shares at $8.00 bringing the aggregate financing gross proceeds to $34.5 million. The cost of the financing, including commissions and professional fees, was $2.5 million, resulting in net proceeds of $32.0 million.

Financial instruments / We are exposed to market risk related to changes in interest and foreign currency exchange rates, each of which could adversely affect the value of our assets and liabilities. We invest our cash reserves in a high interest savings account and in bankers' acceptances with varying terms to maturity (not exceeding two years) issued by major Canadian banks, selected with regard to the expected timing of expenditures for continuing operations and prevailing interest rates. Investments with a maturity greater than three months are classified in our Balance Sheet as held-for-trading short-term investments and are recorded at cost plus accrued interest. The fair value of our cash investments as at December 31, 2013 is at least equal to the face value of those investments and the value reported in our Balance Sheet. Due to the relatively short-term nature of the investments that we hold, we do not believe that the results of operations or cash flows would be affected to any significant degree by a sudden change in market interest rates relative to our investment portfolio. We purchase goods and services in both Canadian and U.S. dollars and earn a significant portion of our revenues in U.S. dollars. Prior to the financing in October 2013, which was denominated in U.S. dollars, we managed our U.S. dollar currency risk by using cash received from U.S. dollar revenues to pay U.S. dollar expense and by limited holdings of U.S. dollar cash and cash equivalent balances to working capital levels. Given our increasing level of U.S. dollar expenses, we maintained the funds raised in October 2013 in U.S. dollars in order to achieve a natural foreign exchange hedge. We used a forward exchange contract to convert $45.0 million into Canadian dollars in November 2012. We have not entered into any other agreements or purchased any instruments to hedge possible currency risks at this time.

Material commitments for capital expenditures / As at the date of this discussion we do not have any material commitments for capital expenditure.

OFF-BALANCE SHEET ARRANGEMENTS

Protiva promissory notes / On March 25, 2008, our subsidiary, Protiva, declared a dividend totaling $12.0 million. The dividend was paid by issuing promissory notes on May 23, 2008. Recourse for payment of the promissory notes will be limited to our receipt, if any, of up to $12.0 million in payments from a third party. We will pay these funds, if and when we receive them, to the former Protiva shareholders in satisfaction of the promissory notes. As contingent obligations that would not need to be funded by the Company, the $12.0 million receivable and the related promissory notes payable are not included in our consolidated balance sheet.

CONTRACTUAL OBLIGATIONS

Facility lease/ Effective July 29, 2009, we signed an amendment to the operating lease for its laboratory and office premises. The amended lease expires in July 2014 but we have the option to extend the lease to 2017 and then to 2022 and then to 2027. The amended lease included a signing incentive payment. In accordance with our accounting policy the signing incentive payment is being amortized on a straight-line basis over the term of the amended lease.

Product development partnership with the Canadian Government / We entered into a Technology Partnerships Canada ("TPC") agreement with the Canadian Federal Government on November 12, 1999. Under this agreement, TPC agreed to fund 27% of our costs incurred prior to March 31, 2004, in the development of certain oligonucleotide product candidates up to a maximum contribution from TPC of $7.2 million (C$9.3 million). As at December 31, 2013, a cumulative contribution of $3.5 million (C$3.7 million) had been received and we do not expect any further funding under this agreement. In return for the funding provided by TPC, we agreed to pay royalties on the share of future licensing and product revenue, if any, that is received by us on certain non-siRNA oligonucleotide product candidates covered by the funding under the agreement. These royalties are payable until a certain cumulative payment amount is achieved or until a pre-specified date. In addition, until a cumulative amount equal to the funding actually received under the agreement has been paid to TPC, we agreed to pay a 2.5% royalty on any royalties we receive for Marqibo.

In September 2013, we began to earn royalties on Marqibo and have accrued $0.001 million in royalties payable to TPC as at December 31, 2013. The remaining contingently payable balance with TPC as of December 31, 2013 was $3.5 million (C$3.7 million).

License agreement with Marina Biotech, Inc. ("Marina") / On November 29, 2012, we announced a worldwide, non-exclusive license to a novel RNAi payload technology called Unlocked Nucleobase Analog ("UNA") from Marina for the development of RNAi therapeutics.

UNA technology can be used in the development of RNAi therapeutics, which treat disease by silencing specific disease causing genes. UNAs can be incorporated into RNAi drugs and have the potential to improve them by increasing their stability and reducing off-target effects.

Under the license agreement, in the year ended December 31, 2012, we paid Marina an upfront fee of $0.3 million. A further license payment of $0.2 million was expensed in March 2013 and we will make milestone payments of up to $3.3 million, plus royalties on each product that we develop that uses Marina's UNA technology. The upfront fee and license payment were expensed to research, development, collaborations and contracts expense.

Effective August 9, 2013, Marina's UNA technology was acquired by Arcturus Therapeutics, Inc. ("Arcturus") and the UNA license agreement between us and Marina was assigned to Arcturus. The terms of the license are otherwise unchanged.

Tabular Disclosure of Contractual Obligations

The following table summarizes our contractual obligations as at December 31, 2013:

(in millions $)	Payments Due by Period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Contractual Obligations					
Facility lease	0.7	0.7	—	—	—
Technology license obligations [1]	1.3	1.3	—	—	—
Total contractual obligations	2.0	2.0	—	—	—

[1]Relates to our expected fixed payment obligations under in-license agreements.

We in-license technology from a number of sources. Pursuant to these in-license agreements, we will be required to make additional payments if and when we achieve specified development, regulatory, financial and commercialization milestones. To the extent we are unable to reasonably predict the likelihood, timing or amount of such payments, we have excluded them from the table above. Our technology in-licenses are further described in the Overview section of this discussion.

We also have contracts and collaborative arrangements that require us to undertake certain research and development work as further explained elsewhere in this discussion. It is not practicable to estimate the amount of these obligations.

IMPACT OF INFLATION

Inflation has not had a material impact on our operations.

RELATED PARTY TRANSACTIONS

We have not entered into any related party transactions in the periods covered by this discussion.

OUTSTANDING SHARE DATA

At February 28, 2014, we had 19,689,199 common shares issued and outstanding, outstanding options to purchase an additional 2,009,929 common shares and outstanding warrants to purchase an additional 809,164 common shares.

RISKS AND UNCERTAINTIES

At December 31, 2013 we held $68.7 million in cash and cash equivalents. In the future, substantial additional funds will be required to continue with the active development of our pipeline products and technologies. In particular, our funding needs may vary depending on a number of factors including:

- revenues earned from our DoD contract to develop TKM-Ebola;
- revenues earned from our collaborative partnerships and licensing agreements, including milestone payments from Alnylam and royalties from sales of Marqibo from Spectrum;
- the extent to which we continue the development of our product candidates, add new product candidates to our pipeline, or form collaborative relationships to advance our products;
- our decisions to in-license or acquire additional products or technology for development, in particular for our RNAi therapeutics programs;
- our ability to attract and retain corporate partners, and their effectiveness in carrying out the development and ultimate commercialization of our product candidates;
- whether batches of drugs that we manufacture fail to meet specifications resulting in delays and investigational and remanufacturing costs;
- the decisions, and the timing of decisions, made by health regulatory agencies regarding our technology and products;
- competing technological and market developments; and
- prosecuting and enforcing our patent claims and other intellectual property rights.

We will seek to obtain funding to maintain and advance our business from a variety of sources including public or private equity or debt financing, collaborative arrangements with pharmaceutical companies and government grants and contracts. There can be no assurance that funding will be available at all or on acceptable terms to permit further development of our products especially in light of the current difficult climate for investment in early stage biotechnology companies.

If adequate funding is not available, we may be required to delay, reduce or eliminate one or more of our research or development programs or reduce expenses associated with non-core activities. We may need to obtain funds through arrangements with collaborators or others that may require us to relinquish most or all of our rights to product candidates at an earlier stage of development or on less favorable terms than we would otherwise seek if we were better funded. Insufficient financing may also mean failing to prosecute our patents or relinquishing rights to some of our technologies that we would otherwise develop or commercialize.

In addition, we are exposed to market risk related to changes in interest and foreign currency exchange rates, each of which could adversely affect the value of our assets and liabilities. We invest our cash reserves in high interest saving accounts and guaranteed investment certificates with varying terms to maturity (not exceeding two years) issued by major Canadian banks, selected with regard to the expected timing of expenditures for continuing operations and prevailing interest rates. The fair value of our cash investments as at December 31, 2013 is at least equal to the face value of those investments and the value reported in our Balance Sheet. Due to the relatively short-term nature of the investments that we hold, we do not believe that the results of operations or cash flows would be affected to any significant degree by a sudden change in market interest rates relative to our investment portfolio. We purchase goods and services in both Canadian and U.S. dollars and earn a significant portion of our revenues in U.S. dollars. We manage our U.S. dollar currency risk by, as far as possible, using cash received from U.S. dollar revenues to pay U.S. dollar expenses. We have not entered into any other agreements or purchased any instruments to hedge possible currency risks at this time.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Our Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures for the year ending December 31, 2013 and have concluded that our disclosure controls and procedures are effective.

Our Chief Executive Officer and the Chief Financial Officer are also responsible for the design and effectiveness of internal controls over financial reporting within the Company in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. They have evaluated our internal controls and procedures over financial reporting as of the end of the period covered by the annual filings and concluded they are effective. They also concluded that there were no changes in internal controls during 2013 that materially affected the Company’s internal control over financial reporting and disclosure controls and procedures.

Form 52-109F1
Certification of Annual Filings
Full Certificate

I, Mark Murray, President and Chief Executive Officer of Tekmira Pharmaceuticals Corporation, certify the following:

1. ***Review:*** I have reviewed the Annual Report on Form 10-K, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the Annual Report (together, the "annual filings") of Tekmira Pharmaceuticals Corporation (the "issuer") for the financial year ended December 31, 2013.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

4. ***Responsibility:*** The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the issuer.

5. ***Design:*** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer(s) and I have, as at the financial year end

   (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

      (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and

      (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

   (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

5.1 ***Control framework:*** The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is the Integrated Framework issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO - 1992).

5.2 N/A

5.3 N/A

6. ***Evaluation:*** The issuer's other certifying officer(s) and I have

   (a) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's DC&P at the financial year end and the issuer has disclosed in its annual MD&A our conclusions about the effectiveness of DC&P at the financial year end based on that evaluation; and

   (b) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's ICFR at the financial year end and the issuer has disclosed in its annual MD&A

      (i) our conclusions about the effectiveness of ICFR at the financial year end based on that evaluation; and

      (ii) N/A

7. ***Reporting changes in ICFR:*** The issuer has disclosed in its annual MD&A any change in the issuer's ICFR that occurred during the period beginning on October 1, 2013 and ended on December 31, 2013 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

8. ***Reporting to the issuer's auditors and board of directors or audit committee:*** The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of ICFR, to the issuer's auditors, and the board of directors or the audit committee of the board of directors any fraud that involves management or other employees who have a significant role in the issuer's ICFR.

Dated March 6, 2014

/s/ Mark Murray
Mark Murray
President and Chief Executive Officer

Form 52-109F1
Certification of Annual Filings
Full Certificate

I, Bruce Cousins, Executive Vice President and Chief Financial Officer of Tekmira Pharmaceuticals Corporation, certify the following:

1. ***Review:*** I have reviewed the Annual Report on Form 10-K, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the Annual Report (together, the "annual filings") of Tekmira Pharmaceuticals Corporation (the "issuer") for the financial year ended December 31, 2013.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

4. ***Responsibility:*** The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the issuer.

5. ***Design:*** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer(s) and I have, as at the financial year end

   (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

      (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and

      (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

   (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

5.1 ***Control framework:*** The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is the Integrated Framework issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO - 1992).

5.2 N/A

5.3 N/A

6. ***Evaluation:*** The issuer's other certifying officer(s) and I have

   (a) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's DC&P at the financial year end and the issuer has disclosed in its annual MD&A our conclusions about the effectiveness of DC&P at the financial year end based on that evaluation; and

   (b) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's ICFR at the financial year end and the issuer has disclosed in its annual MD&A

      (i) our conclusions about the effectiveness of ICFR at the financial year end based on that evaluation; and

      (ii) N/A

7. ***Reporting changes in ICFR:*** The issuer has disclosed in its annual MD&A any change in the issuer's ICFR that occurred during the period beginning on October 1, 2013 and ended on December 31, 2013 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

8. ***Reporting to the issuer's auditors and board of directors or audit committee:*** The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of ICFR, to the issuer's auditors, and the board of directors or the audit committee of the board of directors any fraud that involves management or other employees who have a significant role in the issuer's ICFR.

Dated March 6, 2014

/s/ Bruce Cousins
Bruce Cousins
Executive Vice President and Chief Financial Officer